The MAGAZINE of WALL STREET and BUSINESS ANALYST

AUGUST 22, 1953 85 CENTS

1953 Mid-Year Special

Re-Appraisal of Security Values Earnings and Dividend Forecasts

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He Fought Three Days and Nights

Lieutenant Colonel
Raymond G. Davis, USMC
Medal of Honor

COLD. BATTLE-WEARY, fighting for every mile of wintry road, the Marines were re-deploying toward Hungnam. A rifle company was guarding a mountain pass vital to the withdrawal of two regiments. The company became surrounded. If help didn't come, 6,000 men were lost.

Into this situation, Lieutenant Colonel Davis boldly led his Marine battalion. Over eight miles of heavily defended icy trail they attacked, and across three ridges deep in snow.

They fought three days and nights, often hand-to-hand.

But finally Colonel Davis reached and freed the company. He opened the pass and held it till the two regiments got by. Then, fighting through the last of the enemy and carrying his wounded with him, he led his own gallant battalion into safety.

"Korea and World War II have taught me," says Colonel Davis, "that courage is common to *all* armies; it's the *better equipped* side that has the edge. You're giving *our* men that edge every time you invest in a United States Defense Bond. For Bonds, which are personal savings for you, are also muscle for America's economy. Helping produce *more* and *better* combat equipment to protect the brave men who are protecting us all."

Peace is for the strong!
For peace *and prosperity* save with
U. S. Defense Bonds!

Now E Bonds pay 3%! Now, improved Series E Bonds start paying interest after 6 months. And average 3% interest, compounded semiannually when held to maturity! Also, all *maturing* E Bonds automatically *go on* earning—at the new rate—for 10 *more* years. Today, start investing in Series E Defense Bonds through the Payroll Savings Plan at work. Remember, 8 million fellow Americans find it a wonderfully easy way to save. Or ask your banker about the convenient Bond-A-Month Plan.

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

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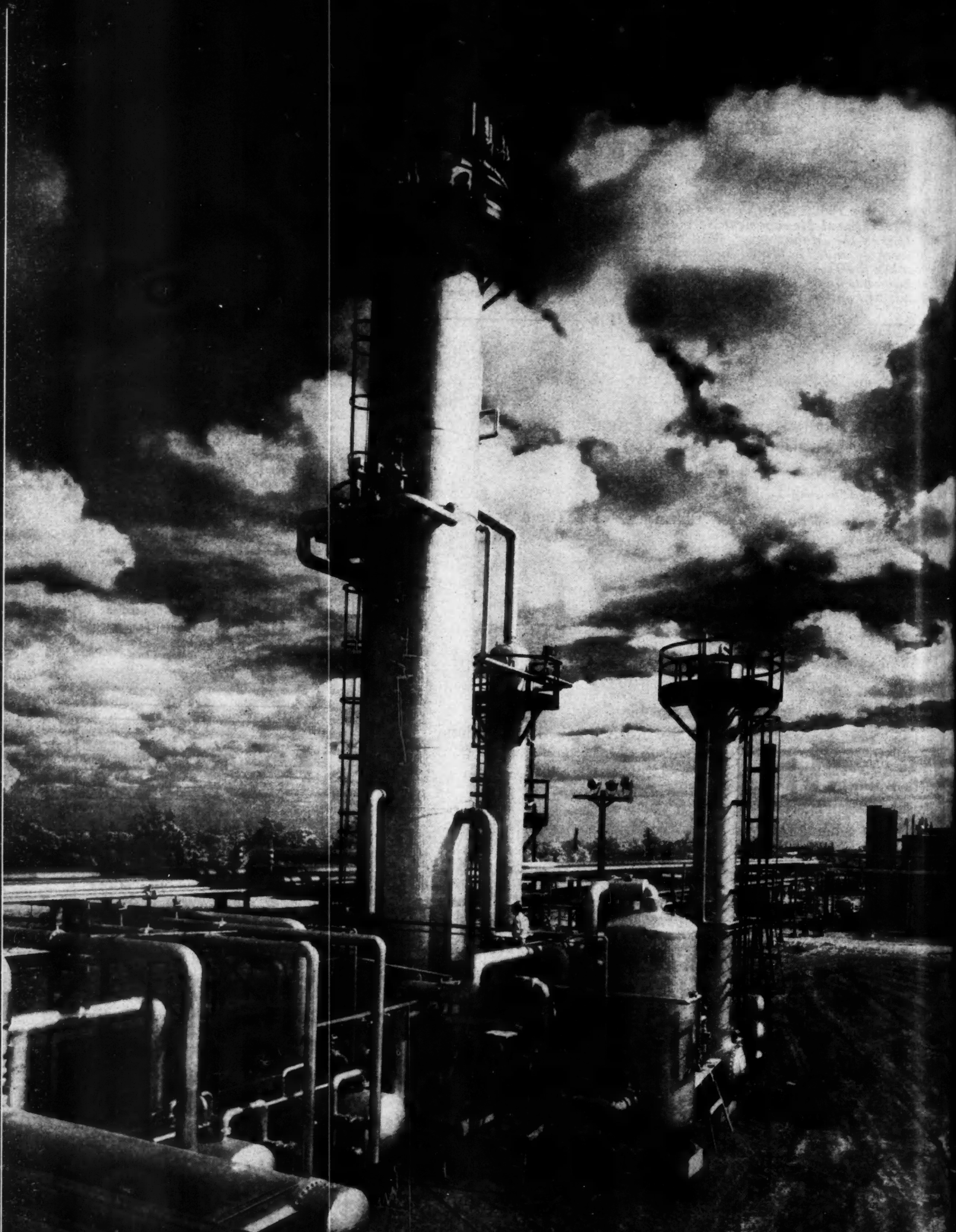

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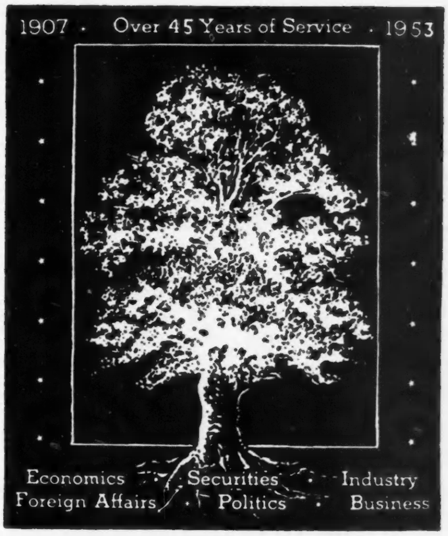
THE MAGAZINE OF WALL STREET
C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

FALL BUSINESS PROSPECTS . . . With the advent of autumn, the traditional period of seasonal stocktaking of business prospects is at hand. At present, virtually all the leading production indices point to continued high activity. This is true of such basic industries as steel, automobiles, petroleum, construction, electric power, and chemicals. Excepting farm prices, the general price level remains firm, with the consumer index edging up slightly, mostly on account of higher service charges, rents in particular.

As indicated by the great bulk of first half year corporation earnings reports, there has been a general increase in manufacturing company sales, pretax and post-tax profits. At the same time, the retail trades have also made some progress but the increase in profits in this category has been extremely slight, indicating that these organizations, with exception of food, are finding it difficult to widen their profit margins with costs stubbornly absorbing the great bulk of any increase in sales.

In both the public utility and railroad divisions, there have been continued gains in gross revenues, the electric power industry, in particular, still in a highly dynamic process of growth. Railroad car loadings have increased moderately along with higher industrial activity, but larger profits are due essentially to better control over costs. Rail operations, in general, are at the most efficient point in history.

Despite this manifest evidence of a high plateau of prosperity, the business community, in general, is concerned about future prospects. But the situation, in this respect, is no different than it was a few months ago when fears over the business outlook proved unwarranted by actual developments.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

There is no doubt that the American economy has shown itself to be possessed of unusual and unexpected powers of recuperation which has time and again made the publication of pessimistic prognostications a somewhat hazardous occupation. Nevertheless, the haunting fear that American prosperity cannot be sustained forever at current record levels, will not be downed. In general, the business community is expecting a downturn with a wide variety of opinion as to the possible dimensions of this possible adjustment.

If one were to look for tangible evidence of such a change in trend, he could not find it in the overall business situation. However, in several instances a clue may be found. Aside from the implications of the rather serious drop in farm prices, it is evident that forward buying is contracting and that business backlogs, in general, are no longer increasing. The resultant effect upon inventories may be gauged by the fact that they are now at the highest point in history which would seem to indicate that unless the present down trend in forward buying and backlogs can be reversed, some congestion in inventories may materialize toward the end of the year. For the present and near-term future, however, marked changes in business conditions consequently do not seem in prospect. Expec-

tations of a substantial reversal in trend, therefore would have to be postponed until next year. It is then when business problems are likely to accumulate.

INSTALLMENT PLAN ON THE NEW YORK STOCK EXCHANGE . . . The N. Y. Stock Exchang is completing plans for installment sales of common stocks and is expected to inaugurate the new system about October 1. Basically, the objective is to widen public participation in common stock investments. Under the plan, the investor would make monthly payments (it is not decided yet whether payments will be $40 or $50 monthly) on a non-contractual basis, and he could withdraw at any time.

The machinery set up by the Exchange is ingenious, if complex, and it is not difficult to see that much thought has gone into the technical arrangements. Having dutifully made our acknowledgement of the skill with which the plan has been devised, it is equally proper to point out that the Exchange may be assuming a responsibility for which it is not geared. The fact is that the plan, to render the greatest service to the public, must be confined to the financing of only the very soundest stocks. While this may be the intention, as sure as night follows day, investors sooner or later under the normal stimulation of brokers will find themselves investing in an increasing number of speculative and otherwise undesirable issues. If a major turn should come in the investment markets, such issues would be specially vulnerable. In such an event, the Exchange would be blamed for losses incurred.

It seems to us that if the Exchange really wishes to make a serious effort in the direction of widening public participation in investments, it must first undertake a broad, nation-wide program of education. It has not done this as yet simply because members have taken the narrow viewpoint that the expense incurred in such a program would not bring commensurate returns except possibly over a long period; and most of them—with a few conspicuous exceptions, refuse to invest in the future. In this respect, the Exchange has been and continues to be far behind the procession. As a matter of fact, members of the Exchange, as a whole, have not even given adequate support to those whose business it is to help educate the public on investment matters. In other fields, from steel to automobiles to drugs, leaders have not hesitated to make very large investments in public good will regardless of whether the returns would be immediate or long-term. Judging by the results in wide public appreciation, these far-sighted leaders have lost nothing by their willingness to make the necessary investment in time and money. The Exchange can do nothing less if it really hopes to reach the millions of Americans who are potential investors. For the reasons given, we do not believe that the new installment plan, by itself, is sufficient to accomplish this end.

MAJOR REVISIONS NEEDED . . . Beardsley Ruml, author of the withholding tax, has come up with a a new plan to make our budgetary methods more effective and to bring them into alignment with federal tax needs. Without enumerating the various proposals of the unique Mr. Ruml, it is clear that he believes our present methods to be obsolete. Worse, he claims that by following the old pattern, we get a totally false picture of current tax requirements. While not desiring to venture too far into the mysterious field of the government budget, we may be pardoned for asserting that there is a wide gap between the office of the Director of the Budget and the Congress. On the whole, these two have not been pulling together for a long time. Something ought to be done. Perhaps if these two organs of government could be convinced that it would be a good idea to sit down together and work on the same financial problems simultaneously, instead of the present piecemeal approach, we would find that the budget and taxes could be handled scientifically and efficiently in such a way that the public would know exactly what to expect, instead of being startled every year in the customary fashion by the unpredictable gyrations of officials who bear the responsibility of shaping the government's financial course.

160,000,000 . . . On August 10, at precisely two minutes and seven seconds after 11 a.m., a very special electrically-driven clock in the lobby of the Dept. of Commerce Building in Washington registered the figure of 160,000,000. When the dial on this clock recorded this figure, it meant that the population of the United States had reached 160 million. It may surprise some to know that ours is among the most rapidly growing populations, relatively speaking, of all the nations. Actually, it is growing now at the rate of about two and a half million a year. By 1960, we will be crowding 175 million. Even now, only China, India and Russia, in that order, have a larger population.

The significance of (*Please turn to page* 634)

As I See It!

By JOHN CORDELLI

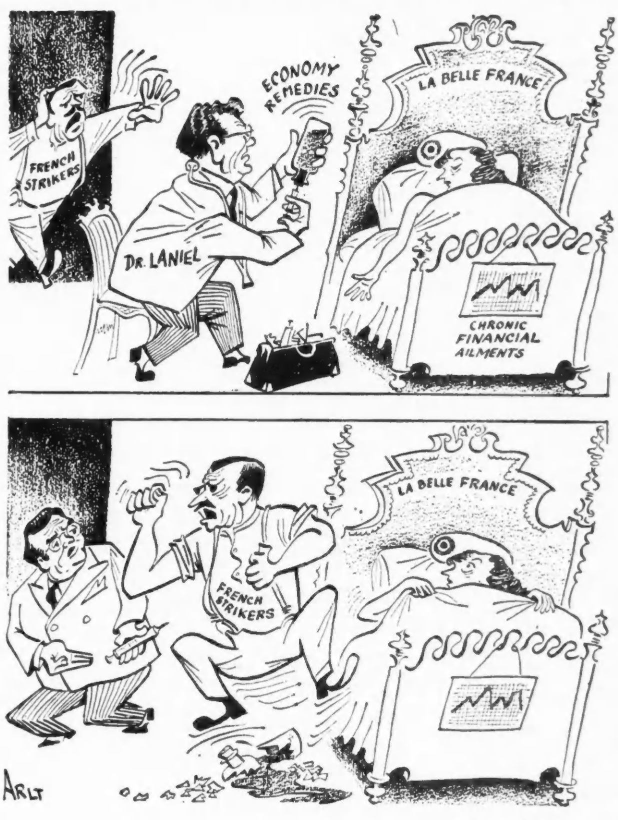
FRANCE'S MOST MENACING CRISIS

Recent events in France, which for all practical purposes brought on something closely resembling a general strike, signify that the latest crisis is the most serious of the long series in that unstable country since the end of World War II. To what extent Communists had a hand in precipitating the current turmoil may not be precisely determined but there is no question that they are taking advantage of the crisis in order to weaken the government.

For the severe current labor disturbances, the French government, under Premier Laniel, must take its share of the blame. By committing the unbelievable tactical error of making its first moves in the new economy program at the expense of the government workers, it played directly into the hands of the Communists. Even the non-left unions showed their resentment by walking off their jobs. Considering the great dissatisfaction of the workers with their meager buying power as a result of the prolonged inflation in France, Premier Laniel could have done nothing worse than to make it seem that the new French government was not too much concerned with their welfare, though this, of course, in reality is not true.

Actually, the Premier was about to embark on a program of real reform which would have involved, among other things, the absolutely indispensable ending of the present inequitable tax system in France. It is not agreeable to acknowledge that unlike the United States where taxes, though severe, are spread out more or less equitably among the entire population, in France as in Italy too many people of means have been escaping their just share of taxes. (Incidentally, the American taxpayer has been making up a good part of this deficit.) This wholesale tax-dodging not only is playing a part in the rebellious mood of the French worker but has made the poorest possible impression in the United States.

"FOUR MILLION FRENCH STRIKERS COULD BE WRONG"



Arlt in The N. Y. Herald Tribune

Behind the grim scene in France lurks the disturbing figure of Maurice Thorez. Recently returned from Russia after a prolonged stay, supposedly for his health, he has undoubtedly received orders to do his best to revive the old Front Populaire. This would certainly have the practical effect of preventing France from joining the European Defense Community and thus end all real hopes of a sound defense against the Soviets. Thorez has received great aid through the current strike and in this he has been ably though unintentionally supported by the French government under Premier Laniel who has allowed himself to become outmaneuvered.

Inherent in the present situation is the possibility that should a leftist-oriented government succeed the present one, the French would abandon their effort to hold back the Communists in Indo-China. The effects on the global strategic position of the United States, in such an event, can well be imagined.

It is not surprising, therefore, that Americans, observing the unending weakness of successive French governments, and now Italian, are becoming increasingly disillusioned with the ultimate measure of cooperation they can rely on from some of their allies should the crisis (*Please turn to page* 636)

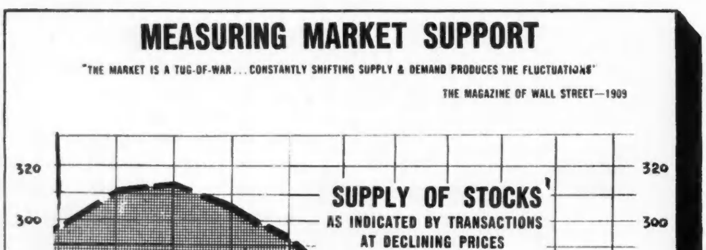
Market Weighs Earnings Reports Against Prospects

Stock market fluctuation remained restricted, with some further selective recovery, during the fortnight, followed by moderate easing tendencies in recent days. Doubts about later business trends are on the limiting side. Investors should continue to follow a conservative course, emphasizing soundness of individual holdings.

By A. T. MILLER

So far as the Dow industrial and rail averages are concerned, the past fortnight was little more than a stalemate, with relatively little net change. However, both modestly extended their summer recovery within the period before easing later. Utilities edged up further to the best level in several months, aided by continuing firmness in the bond market. Sentiment on the general market may have been chilled somewhat by sharp reaction in primary commodity markets, especially in wheat prices, during much of last week. Trading volume remained at a low level, reflecting investment doubt and uncertainty about business prospects in coming months and beyond this year.

Comparatively few investors feel any urge to add to total stock holdings at present or to liquidate existing holdings. The general attitude is mostly "wait and see". So prices are being made on transactions representing a turnover of an extremely low ratio of total listed shares. Hence, the market remains decidedly thin. Important surprise new, good or bad, could temporarily affect it sharply.



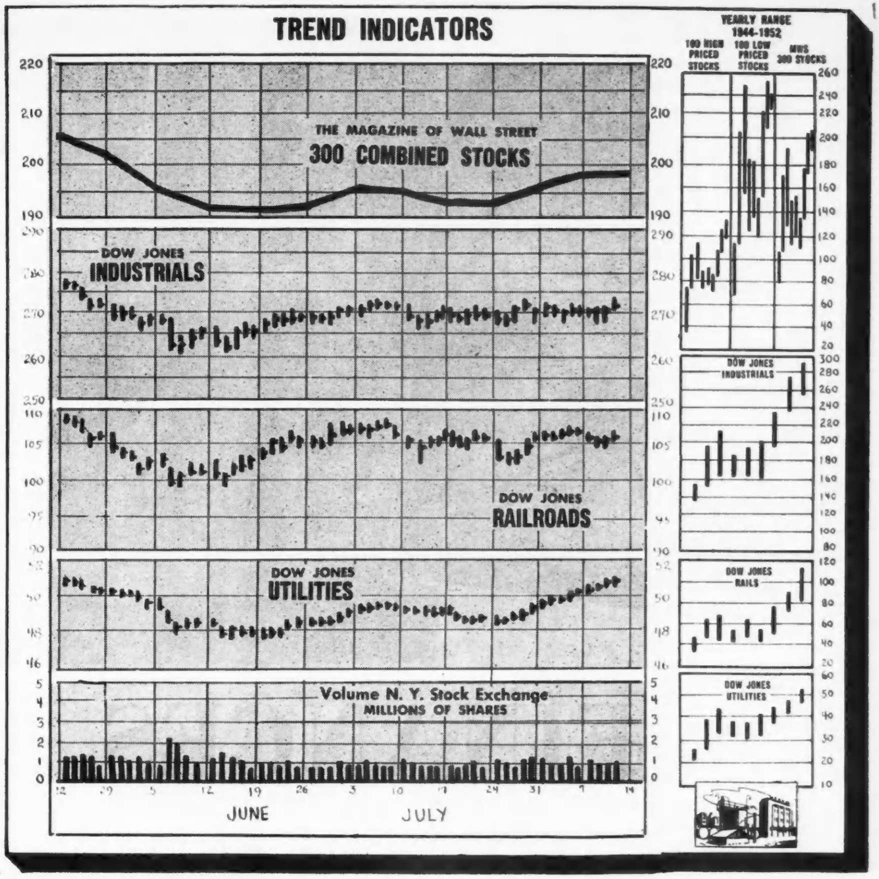
The Technical Pattern

The market's upturn from the June lows, which are the lows for the year to date, has been sluggish and irregular so far. However, the whole 1953 range has been fairly moderate. The declines from the bull-market highs—recorded last December for rails, early in January for the industrial average, and in March for utilities—to the June lows approximated 10% for the industrial average, 11% for rails and 10% for utilities. Viewed against that background, the recovery has been considerable; and well within the rule-of-thumb technical limits regarded as normal expectancy for an intermediate rally: that is, recovery of a fourth to three-fourths of a prior decline. At the best summer levels to date the industrial average had made up about half of its March-June decline, and 45% of the retreat from the January high; rails nearly two-thirds (64%) of their decline from the virtual double-top of March and last December; utilities about half of their prior decline.

On purely technical and summer-seasonl factors, not much, if any, more rise can reasonably be expected in average stock prices. That is to say that more than a mild extension of this phase would seemingly require an important shift to the optimistic side in investment sentiment, based on fresh factors not now predictable or a general raising of sights on 1954 possibilities for business activity and corporate earnings. It is hard to see

how the latter could develop any time soon, since industrial production has been slipping slowly from its March peak and an upturn in it in nearby months is doubtful.

The first question in the minds of most investors is still: How much business recession ahead? It may be as moderate as most people expect and hope. It may have been substantially allowed for in price-earnings ratios. It may well be that the earnings of a sizable number of companies in 1954 will compare satisfactorily with present earnings, where EPT-relief cushions are thick. But a questioning psychology is not one on which a renewal of the bull market can readily be built. Too much weight should not be put on promised EPT relief as a bullish factor. It is significant only for a minority of companies; and investors may pay more attention to shrinkage in their sales and pre-tax income as it develops than to the offset from EPT relief. In effect, the latter can amount to a non-recurring gain for some companies. The market has never put much value on non-recurring, special-circumstance profits.



It would seem reasonable to regard the earlier highs in the averages as formidable supply levels, difficult of penetration. Their distance from the summer highs to date—recorded over a month ago in the case of rails—is only some 6% for the industrial average, about 4% for rails and about 4% for utilities. On this perspective the upside potential, as things look now, certainly cannot be called impressive. It is probably somewhat greater on the downward side, even though a basis for serious decline under the June lows is not presently apparent.

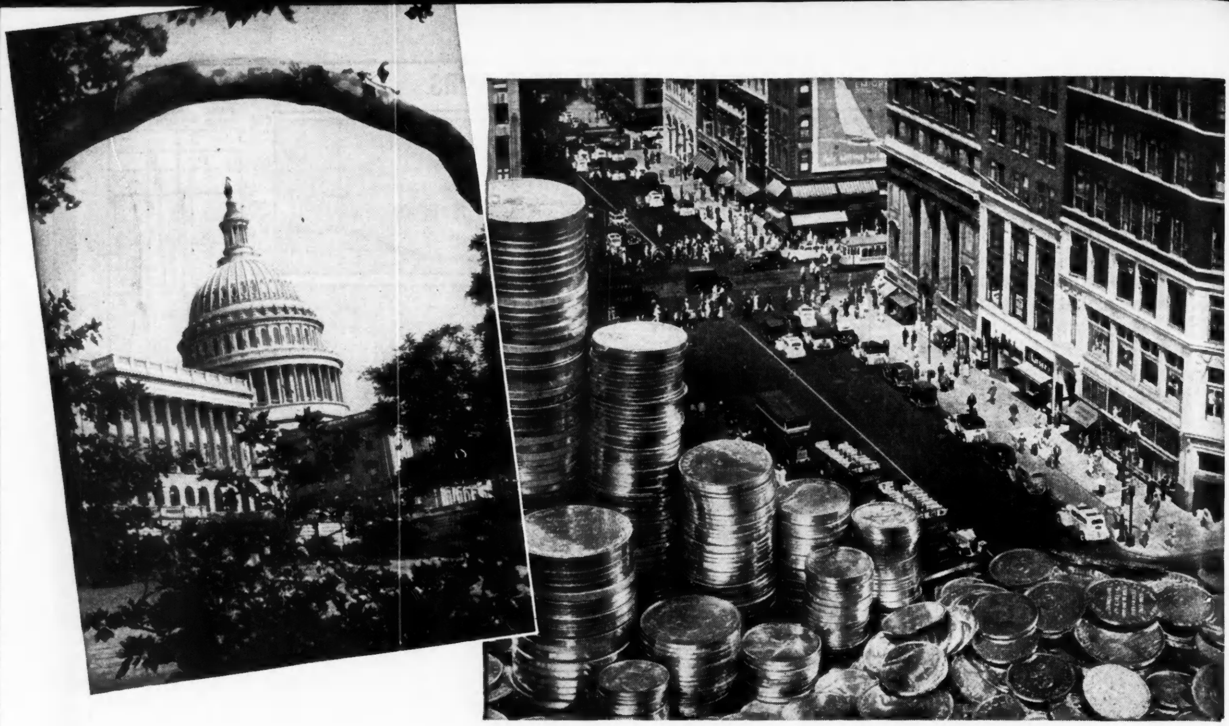
It, of course, remains a highly selective market, with generally good support being shown for many better-grade income stocks. There has been buying of some prominent stocks by pension-fund and other institutional buyers, who invest pretty much on a dollar-averaging basis, with no great interest in interim market swings. That may account for recent new highs in such issues as duPont, General Electric, Corn Products, First National Stores, American Home Products, Union Oil, Rohm & Haas, Reynolds Tobacco and Wrigley.

What Should You Be Doing?

What is the wisest policy for investors now? We get this question in our mail in various forms. The answer is that it depends on your position, holdings and objectives. We have for some time been recommending a conservative policy. We have advised maintenance of 40% reserves in typical accounts, which are those of investors putting the main emphasis on capital gain, rather than income return. We have urged the qualitative improvement of portfolios generally, by upgrading common-stock holdings and increasing the proportion of total funds lodged in highgrade bonds and preferred stock. We have suggested elimination or sharp paring down of speculative holdings on moderate rallies, and these have developed from time to time. If you have followed these advices, stand pat. Your position is a sound one. If not, remedial steps should be taken now, since it is problematical whether you will get a better chance any time soon.

Questions and Answers

We are asked, should I sell all of my stocks? Or, should I sell half of my stocks? The answer is no, if you hold adequate reserves and if your stocks are of good quality. Otherwise, the answer is that you should sell enough to establish the reserves heretofore advised; and that, if you hold any inferior or dubious stocks, these should be sold in any event and the funds switched into better-grade and more promising issues. Some people, with large losses, ask should they average down? The answer is, no. If any holding is inferior, why buy more of it? If it is sound, averaging down makes sense at a depressed market level, not at a high or even medium market level. The current level is fairly moderate, but certainly not depressed.—Monday, August 17.



U.S. FINANCES

At A Critical Point

By THOMAS L. GODEY

Twice in a score of years the nation has faced up to a national fiscal crisis. The first—now puny in retrospect—was when Franklin Delano Roosevelt was sworn in as the thirty-second President of the United States on March 4, 1933; the second is with us now as Dwight D. Eisenhower, thirty-fourth President of the United States, relaxes in Colorado with the first one eighth of his term behind him, after the Senate Finance Committee said "nay" to his proposal that the statutory debt limit be raised from $275 billion to $290 billion, lest the credit of the Federal Government face impairment as rapidly accruing bills—mainly for defense—fall due between now and December 31, or the remainder of the fiscal year which ends next June 30th.

When Roosevelt was sworn into office on March 4, 1933, the Federal debt stood at the then-horrendous total of $22.5 billion, more than the cost of World War I, while the Budget was in the red by something over $2 billion, and had been out of balance for a period of three years. At that time, there were free predictions of national bankruptcy, that the nation could not survive, and the dire predictions were supported by almost hourly bank-closings across the land.

As FDR faced the inaugural crowds on the East front of the Capitol on March 4, 1933, and bravely proclaimed that we had "nothing to fear but fear itself" our ills were largely domestic. Wars and rumors of war were in the future. A Bavarian corporal, Adolph Hitler, was occasionally in the news dispatches but of no concern to our men of State, while Mussolini occasionally grabbed a headline. But, like Hitler, he was not seriously regarded in Capital diplomatic circles.

Domestically, America was "tottering on the brink of catastrophe." Around 15 millions of our citizens were unemployed. Taxes were too high, and many other things were wrong. In short, we were headed for ruin. Or, so many of us thought. Hind-sight proves us wrong!

A Striking Contrast

Contrast the Roosevelt inauguration with that of Eisenhower. Problems of the former were domestic; problems of the latter girdle the globe—Europe, Russia, Asia, Latin America and our own country.

On January 20 of this year, when Eisenhower took oath of office and asked the nation to join him in prayers for Divine aid, he faced problems which, by comparison with those which confronted FDR, might be likened to Mount Everest in far-off Himalaya and an ant hill on the front lawn. Briefly, and in the argot, FDR's problems were "small potatoes" compared with those of Eisenhower.

Let's enumerate broadly the problem confronting our 34th President when he took office.

First, the national debt was approximately thirteen times as great as it was twenty years ago—$267,292,859,004.64, to be exact—while the budget needed enough red ink to record a deficit of approximately $6 billion, three times the deficit which confronted Roosevelt. Despite this gloomy fiscal picture, the domestic "front" was in good shape—fac-

tories were humming and employment was at an all-time high with workers getting wages which would have been "scandalous" 20 years ago.

Secondly, Eisenhower "inherited" a war—masquerading as a United Nations police action—that was to prove our fourth longest in time, fourth costliest in casualties and third costliest in treasure, only World Wars I and II demanding more dollars. Further, he inherited a War that a previous Chief Executive found stalemated and did not know how to bring to a conclusion. Of other importance, he inherited a bureaucracy which was not notable for responsibilty to the taxpayer.

Last, but by no means least, the new President took over a sprawling set-up, scattered through the Departments of Defense, State and miscellaneous "alphabetical" agencies, devoted to the military aid and economic assistance of our Allies in World War II and more lately the free nations who are presumably united with us in the world-wide cold war against Communism. Since the end of World War II, component parts of this set-up had received almost unlimited approval of their appropriation requests, consequently their chief concern seemed to be, not how to save a dollar here and there, but how to pour out more dollars, without regard for value received or benefits derived. "Get it spent!" seemed to be the guiding impulse.

Maybe these so-called "give-away" groups are not to be blamed. They came into Federal service at a time when, from the White House down, the theme was help everybody, here, there and everywhere. Sort of a bottle-of-milk-per-day for the Hottentots, everywhere, whether or not they had any appetite for the lacteal fluid. These were the spenders Eisenhower "inherited." Obviously, he couldn't fire them all at once. Many of them, like leeches, have been able to hang on and in hanging on, they have abandoned none of the extravagances they were trained to practice.

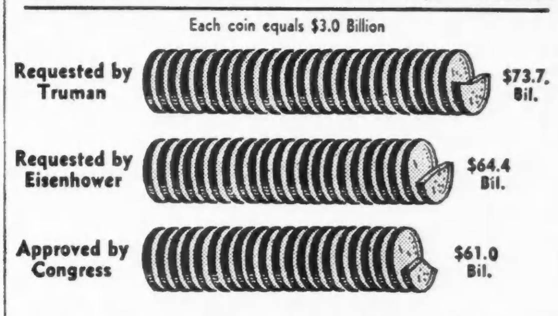
Thus we have a broad but not detailed view of the President's inheritances that he could not possibly comprehend when he promised the voters he would cut taxes and balance the budget.

Taxes have not been cut nor the budget balanced. Campaign promises in these respects were definitely abandoned, but with the reluctant statement that such abandonment was necessary. Partially compensating to a tax-burdened citizenry were honest, sincere efforts to trim fat from the budget and to move toward a point where it may eventually be possible for the Government to whittle its tax demands, and perhaps reduce the Federal debt despite the President's recent request that its statutory limit be raised by $15 billion.

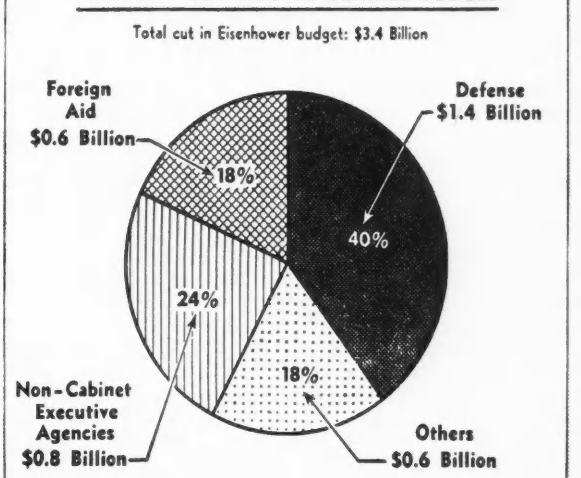
President Truman's budget request to Congress totaled $73.8 billion. President Eisenhower revised this downward to $64.9 billion, while Congress did some additional whittling and appropriated $61.2 billion—a saving of $12.6 billion from the Truman figure and $3.7 billion under the request of President Eisenhower. All of this, the reader must understand, is for the fiscal year 1954, which began July 1 and runs through next June 30.

Meanwhile, the fiscal year ended with a budget deficiency of $9.4 billion and a Public Debt of $266.1 billion. As this is written, the Public Debt has

CONGRESS CUT EISENHOWER BUDGET $3.4 BILLION



HEAVIEST CUT WAS IN DEFENSE BUDGET



In what follows, answers are supplied to several of the vital questions asked by Americans on the financial outlook for their government.

Q. *When can the budget be balanced?*

A. The deficit for fiscal 1953-1954 was $9.4 billion. If the 1951 increases in personal, corporate and excise taxes are allowed to lapse, the cost of the government in fiscal 1954 will be about $4 billion. On that basis, there will be another deficit. If these taxes are continued, as this article shows, there could even be a small surplus, provided there are no unexpected increases in expenditures. On the whole, however, the prospect for a balanced budget is dubious until 1955-56.

Q. *What was behind the President's request for lifting the debt ceiling?*

A. The present debt ceiling is $275 billion and the debt is within $3 billion of this sum. This is too narrow a margin. If the cash balance in the next two months proves insufficient to meet the government's current bills, it is likely that the President will have to call an extra session to consider raising the debt limit from $275 billion to $290 billion.

Q. *Will taxes be reduced?*

A. Starting January 1, four taxes are due to end: excess profits, the 11% increase in personal taxes, the 5% increase in corporate taxes (from 47% to 52%, increased in 1951) and the 1951 increases in excise taxes. In fiscal 1954, this will cost the Treasury over $4 billion. If the budget is to be balanced in the next fiscal year, these taxes in all likelihood will have to be retained, unless substitutes can be found. A great struggle on this question portends for the next session of Congress. On the whole, tax cuts in 1954 look dubious at this stage.

moved up to $272.6 billion and red ink demands at the Treasury were above normal. In the first month of the new fiscal year the Government went $2.7 further in the red when Treasury receipts were $3.3 billion and expenditures totaled about $6.1 billion. Not an auspicious start, but Federal revenues are never very heavy in July, while bills come rolling in, regardless of month or season.

In summary, our Public Debt is now at an all-time high, not even reached in fiscal 1946 when we bore the highest annual cost of the late World War. Likewise, our budget deficit is at an all-time high for a peace-time year, provided we call the Korean War a "police action" rather than the War that it was in reality. Budget imbalance has been chronic since before Franklin D. Roosevelt was inaugurated —even two years before he took office. It was only in fiscal 1947, 1948 and 1951 that we had budget surpluses—these totaling about $300 million more than the deficit for the year just ended.

What to Expect

Now, what can we expect for the fiscal year just started? Are we again to have a budget deficit? Will the President be compelled to ask Congress to cancel scheduled tax reductions—as he did in the matter of excess profits taxes which were slated to die June 30—or will the President have to ask the Congress to even hike some levies? It is a question the politicos do not care to answer, but it is a question of interest to every tax-payer across the nation. It is clear that chronic budget deficiencies must be halted and the Public Debt reduced. A statutory debt ceiling is not the answer, although it serves as a "red light" to Congress as indebtedness moves toward the statutory limit. The present ceiling of $275 billion is not the highest limit we have had—it was $300 billion in 1945, being cut back to the present ceiling in 1946.

Both Congress and the Administration have got to face up to some facts. In fiscal 1953—just ended—the Federal revenues totaled approximately $69.6 billion, about $9.4 billion less than Treasury gathered. And, as previously stated, this deficiency was due in no small measure to prior commitments and maturing defense contracts, many of which were appropriated for in a previous year and were either unforeseen or overlooked by the budget planners. This is where Congress should step in and assume more control over the budget by the process of having all appropriations die at the end of the fiscal year, instead of permitting unexpended balances to be carried forward for use at the convenience of the respective agencies which have not used up all of their funds during the fiscal year. It is a subject worthy of separate treatment, hence is dropped at this point.

Let's get back to the fiscal year which just started. Congress has appropriated $61.2 billion but will we stay in that limit? How many billions will pop up in the form of contract commitments of one, two—perhaps—three years ago? Despite stretch-out on the defense front, we will have to pay for tanks, planes, guns, that were appropriated for but not reckoned with in preparing the 1954 budget.

Even if we stay within that budget limit of $61.2 billion there is little possibility that we will end fiscal 1954 with a balanced budget. It must be considered that there will be revenue losses from drops which will result from the scheduled death of the excess profits tax at the end of this calendar year, the automatic reduction of personal income taxes beginning next January 1 and the automatic reduction in corporate income taxes effective April 1 of next year—plus cuts (but not complete elimination) of some of the so-called luxury taxes. However, President Eisenhower, in his rejection of the proposal to wipe out motion picture theatre admissions, made it fairly clear that the Administration is going to ask Congress to retain portions of these levies when he said his January tax recommendations would include "reduction" of excise levies. That would make a considerable difference and would reduce the prospective deficit.

Cost of Tax Cuts

Automatic death of the excess profits tax at the end of this calendar year will reduce fiscal 1954 revenues by $800 million. Personal income tax reductions, effective January 1, will slice approximately $3 billion, while the scheduled drop in corporate rates—effective April 1—will take around $750 million from 1954 collections. Thus, assuming that fiscal 1954 incomes of individuals and corporations will remain even with those of fiscal 1953, we find that Treasury income could be $64.05 billion against a budget of $61.2 billion, making for surplus of nearly $2.9 billion, assuming the aforementioned taxes are retained.

This surplus, coupled with sure-to-come reductions in foreign aid and some trimming of the defense program in the ensuing fiscal year of 1955, could portend a final budget balance in 1955-1956, a gradual reduction of the Public Debt and less long-term Federal borrowing at relatively high interest rates. Also, it could further lessen the annual tax load of individuals and corporations alike. However, this is far off. At the present the picture is not too rosy.

The Imponderable

Undoubtedly the American people are fully aware of the implications in the present unsettled condition of government finances. Probably, they will not be surprised if they are denied a reduction in taxes for next year and will accept the situation philosophically though, naturally, without pleasure. After all, it is true that we are living in a most uncertain era, which involves shifting demands on our purse, coming from many different directions simultaneously. If we could devise a foreign policy that would be firm, we could undoubtedly plan more securely as to financing the government but this is impossible as long as we cannot tell far enough in advance as to what our defense and foreign commitments are likely to be.

Of course the imponderable in the scene is Russia. Is she to let the World have Peace, or will she carry on the cold war; even heating it up in spots like Indo-China (and President Eisenhower has said we will resist aggression there), Korea and other remote corners of the world where we will be bound, either by treaty or sense of honor, to send our military forces? It is a sour note on which to end our theme, except for the fact that our foreign policy seems to shift from the vacillating to the firm, and firmness is something that can avert war —cold or hot.

Companies Whose Sound Planning Made Them Stronger

By WARD GATES

While generalities can be misleading in the field of finance, as in others, it is probably true that companies which completed, or nearly completed the bulk of their financing of new plant and equipment in the easy money years following the end of World War II stole a lap over those who waited. Companies which implemented their expansion programs in this period not only had the advantage of borrowing at low interest rates, but were also able to develop their capacity at a time when costs, both in labor and materials, were lower than they are today. Some companies found still another advantage in financing through stock instead of bonds, thereby avoiding increasing bond indebtedness and interest payments to bondholders.

There was still another important advantage. These forward-looking companies were enabled to maintain their competitive positions in a period of extremely significant technological advances. Simultaneously, they greatly improved their strategic position through expansion of research departments, affording them not only the opportunity to develop new markets before competition became too keen but also providing the necessary know-how in improving plant efficiency. All this combined has placed these companies in a strong position to meet the competition which is likely to arise in the middle fifties. It is not a coincidence that most of the great corporations of America will be found in this category.

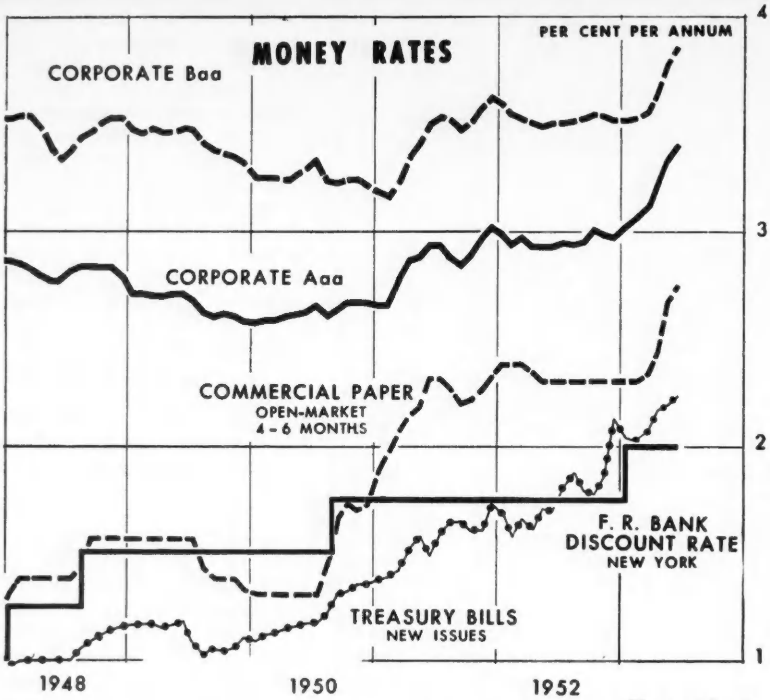
One of the interesting sidelights on expansion in the years directly following World War II is that the larger depreciation charges incurred necessarily had a limiting effect on income so that earnings in many cases were reported on a lower basis than actually was the case.

Effect on Dividend Policies

Furthermore, the difference in liquidity arising from the necessity to use both retained earnings and new funds from financing had the effect of holding dividends down to a conservative basis. With expansion plans completed or largely completed, it will now be possible for these companies to adopt a more liberal dividend attitude. From the stockholder's viewpoint, this is probably the most important single advantage of well-timed company expansion.

To the above companies which started expanding their facilities after World War II and maintained the pace since, should be added some others—often dovetailing with the first mentioned group — which financed new plant and equipment after the outbreak of the Korean war through the five-year tax amortization offered through the Defense Act of 1950. Approximately \$23 billion of expansion for defense-purposes was set in motion through this provision and of this amount about \$13 billion represents the actual contribution to tax write-offs received by these companies. With the end of rapid amortization now in sight, a total of about \$15 billion will have been written off at the expiration of the five-year period. These heavy charge-offs will tend to reduce earnings proportionately until the five-year amortization allowance is completed. It may be inferred, then, that as between companies which financed improvements mainly from their own resources or direct financing in the period 1947-1951 (when money rates hardened) and those which did not increase their facilities materially until the five-year amortization plan went into effect, the former had a relative advantage.

The difference in money costs as between the years after World War II up to 1951 and the period since is indicated by the change in government short-term (one-year) financing rates which have increased in the past two years alone from 2% to 2⅝% an increase of 32%. Since this roughly measures the increase in bond financing costs, it is not difficult to see that those companies which completed their financing plans long in advance had an undeniable advantage.



The same is true with respect to cost of construction, including labor. This is indicated by the accompanying chart, which depicts a rise in some important materials entering construction of from 10% to 20%. Wage costs involved in new construction rose some 35%, a very large part of this increase having occurred in the period mid-1951 to date.

Different Factors at Work

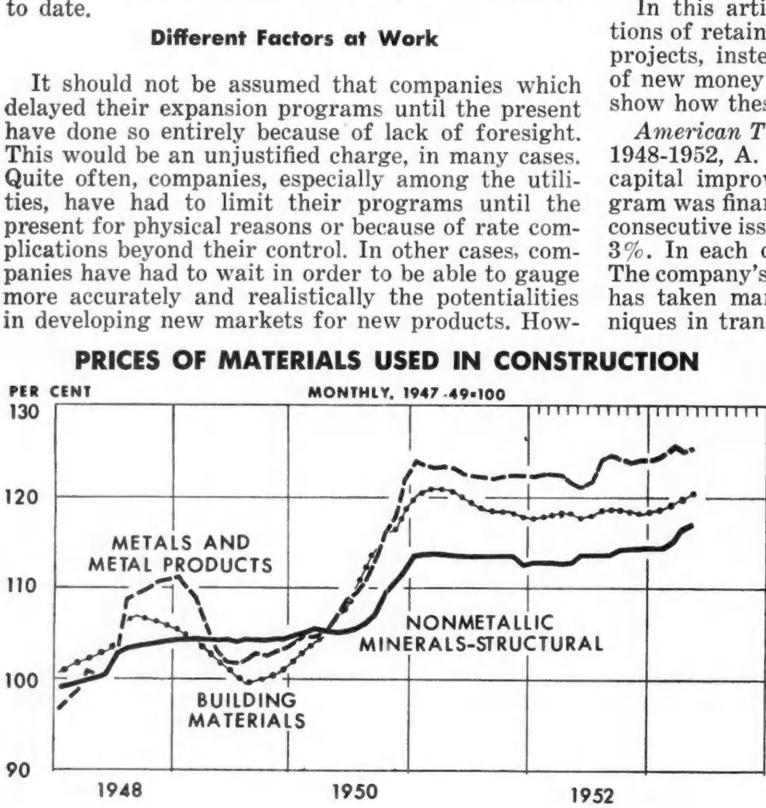
It should not be assumed that companies which delayed their expansion programs until the present have done so entirely because of lack of foresight. This would be an unjustified charge, in many cases. Quite often, companies, especially among the utilities, have had to limit their programs until the present for physical reasons or because of rate complications beyond their control. In other cases, companies have had to wait in order to be able to gauge more accurately and realistically the potentialities in developing new markets for new products. However, as suggested previously there is little doubt that companies with the major portion of their expansion programs behind them, generally speaking, are in a stronger strategic position as compared with others which, through inertia or because of factors beyond control, had to wait until both money and construction costs increased as they have in the past two years.

Because we believe readers will be interested in learning how some of our larger corporations have utilized funds for expansion purposes secured through financing in the years 1947-1951, we present specific information on a few striking examples. The accompanying table also casts a good deal of light on the financing operations of fifteen large corporations, together with data on the amounts and types of issues sold during this period, together with approximations of the sums expended for plant expansion and renovation. (Figures on financing do not include issues privately placed).

From the investor's viewpoint, the table is suggestive in that it indicates one of the most important factors in the above-average investment ratings of each of the common stocks representing these companies. One could do far worse than making a selection of some of these securities for long-term portfolio purposes.

In this article, we have not discussed the functions of retained earnings in the financing of capital projects, instead concentrating entirely on the use of new money through corporate issues, in order to show how these new funds were used.

American Telephone & Telegraph Co. In the years 1948-1952, A. T. & T. spent roughly $5.7 billion for capital improvements. A large share of this program was financed yearly (please see table) through consecutive issues of convertible bonds at rates under 3%. In each case, financing was highly successful. The company's expansion and improvement program has taken many forms, including many new techniques in transmission. Among the most important of these is the installation of long-distance dialing, and a tremendous enlargement of facilities to serve farming areas, with over 2 million more telephones added for this purpose. Over seven thousand more long-distance circuits have been installed with extensive construction continuing. New radio relay lines have been added and new coaxial cables have been installed between a number of important centers. Overseas telephone service has been greatly increased. The company is expanding its vehicular telephone service rapidly. About 11,500 such telephones have been installed, serving any part of the world. Extension of Television network has been advanced materially



and radiotelephone systems are now commonplace. These serve electric utilities, railroads, oil and gas pipeline companies. New research through the Bell Telephone Laboratories is not only advancing introduction of many vital improvements, some of which are described above, but also play an important part in cost control. Among the more interesting new developments is the growing application of the "transistor" which is expected to have an important part in the manufacture of apparatus. Above all, the extension of dial instruments, with four out of five telephones of the Bell System now on this basis, is playing a radical part in increasing the System's network on an amazingly economical basis. Coincident with these developments, the Western Electric Co., the manufacturing subsidiary, has enlarged production facilities to meet the constantly growing equipment demand.

Standard Oil Co. (New Jersey) In the 1948-1952 period, this giant corporation expended some $2.1 billion for expansion and improvements, with the bulk for development of crude oil production. With important new refineries under construction in Belgium, South Africa and India, it is expected that total refinery runs will exceed the 1,916,000 barrels daily reported for 1952. Capital investment has taken many forms but in addition to gaining higher crude production through its investment programs, and increased refinery capacity, the advance of the company into the field of chemicals is noteworthy. Among the most important of these has been the development of an entirely synthetic oil, with properties especially suited to lubrication of aviation jet engines. The potential field here is very large. Large sums have been spent for ocean-going tankers and other transport; with the inland waterways fleet now augmented by a new type of diesel-electric radar-equipped tug. Storage facilities, highly vital in this industry, are being enlarged on an enormous scale. New methods of exploration, involving an entirely different kind of approach, are being utilized. With the world-wide scope of the company's operations in mind, it would be difficult to summarize all of the most important developments of the investment program. However, aside from those mentioned, to particularize, one should call attention to the significant crude oil exploration and developments in Canada, Venezuela and Iraq. About a half billion dollars was spent in 1952 for new capital projects and probably 20% more will have been spent for these purposes in 1953. While a corporation of the size of SONJ will be required to spend very large sums annually for new capital investments it would seem that the major portion of the company's post-war program should be nearing completion. If that should prove to be the case, the company would be in the position of being able to pursue an even more liberal dividend policy than the present.

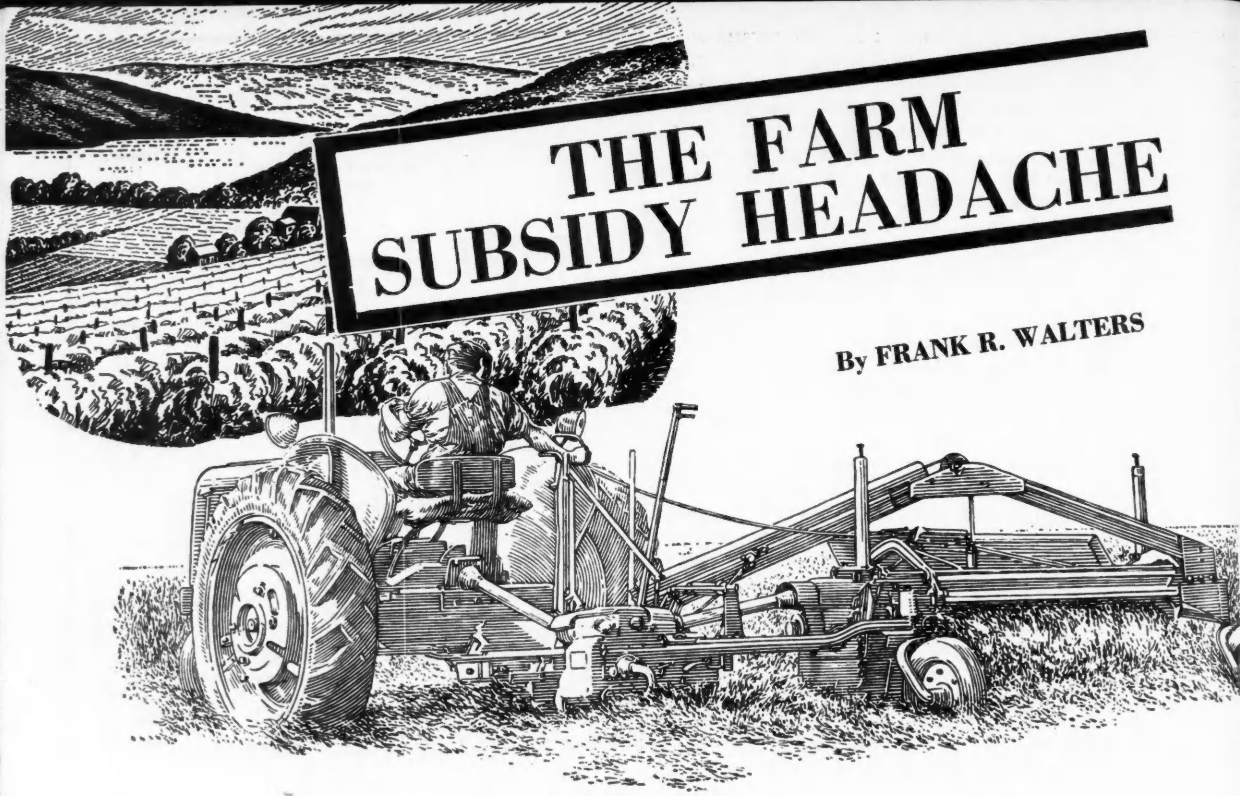
E. I. du Pont de Nemours & Co. Capital expenditures for 1948-1952 amounted to about $900 million. This company has long been famous for its extensive research activities and, in many ways, has been a trailblazer in developing new products. This has been especially true in recent years of its activities in the field of synthetic organic polymers. As a result, the company has produced such wholly and widely-used wholly synthetic textile fibres as nylon, "Orlon" acrylic fibre and "Dacron" polester fibre. The latest in this series is "Mylar" a new polyester transparent film. In the field of inorganic chemistry, the company has made considerable progress in its pioneering production effort with titanium. At the request of the Defense Materials Procurement agency, the company is expanding production of titanium sponge, which is now being increased to a daily capacity of ten tons against 2½ tons. Very large increases have been made to existing plant capacity, either through improvements to old plants or construction of new ones. Among important new plants are those at Camden, South Carolina for production of "Orlon"; a cellulose sponge plant at Columbia, Tennessee, and other new plants in North Carolina, West Virginia and New Jersey. Other plants are being planned. An idea of the enormous diversification of the company's activities in research s indicated by the $52 million expended for these purposes in 1952 alone. This does not include laboratory construction costs. A growing new field of the company is in biochemical research for feed supplements and remedies for use in animal husbandry. Finally, among other important developments is the atomic energy plant at Savannah River designed, built and operated by the company. Important future of atomic developments for industrial use may well be expected to come out of DuPon't activities. At any rate, it has one of the largest commitments in the atomic energy industry of any of our large corporations.

5 Year Financing and Expansion Programs of 15 Companies

Company	Amount of New Financing 1947-1951 Bonds	Stocks	Total Financing	Approx. Expendit. For Expansion 1948-52
	(Millions)			
Amer. Tel. & Tel.	(a)$3,008	(a)$493[1]	$3,501	$5,764
Armco Steel	35	33	68	170
Bethlehem Steel	50	20	70	464
Commonwealth Edison	198	22	220	500
Detroit Edison	152	29	181	280
Dow Chemical	95	62	157	357
Du Pont	......	100	100	578
Goodyear Tire & Rubber	200	......	200	171
Gulf Oil	100	115	215	901
Jones & Laughlin	112	......	112	364
Phillips Petroleum	102	49	151	671
Standard Oil of N. J.	275	......	275	2,146
Texas Company	......	99	99	971
Union Carbide & Carbon	150[2]	21	171	520
Westinghouse Electric	155[3]	......	155	218

(a)—Includes new money raised by subsidiaries from other than parent company.
1—Includes premium realized on conversion of convertible bonds.
2—Arranged for credit of $300 million in 1951, but took down $100 million in 1952, $100 million in January, 1953 and remainder to be taken down as needed.
3—Arranged for credit of $300 million in 1951 and took down $125 million; also $125 million in 1952 and $50 million in 1953.

Gulf Oil Corp. Capital investments of this company for the years 1948-1952 amounted to approximately $900 million. Principal among the projects covered by this program as with other large oil concerns, has been intensification of the search for new oil-(and gas) producing areas. Individual operations have been on a world-wide scale, those in the United States still being the most important. Some of the newer areas (*Please turn to page* 630)



THE FARM SUBSIDY HEADACHE

By FRANK R. WALTERS

Declines in farm products prices of approximately 15 percent since a year ago, the result of large production and supplies accompanied by steadily shrinking export demand, are focusing increasing attention on the "farm problem". Although agricultural income now is a comparatively small part of total national income and although declines in farm income over the past year have been more than offset by income gains in other areas of the economy, the age-old belief that all prosperity springs from the farms is resulting in heightening of Washington planning to "do something for the farmers".

Ancient Panaceas Being Revived

One cannot escape the conclusion, however, that this recent increase in official concern over the well being of farmers is governed as much by political considerations as by economic considerations. Emergency aid measures for agriculture, undertaken during the Great Depression as temporary expedients, have been continued without much change ever since. American farmers, despite the fact that they profess pride in their independence, have come to regard direct and indirect handouts from Washington as their political birthright.

The present Administration has failed as yet to come to grips with the problem, although this can be excused on the basis of the more pressing international problem and the fact that existing legislation on support programs for farm products does not expire until after the 1954 crops are marketed.

Reently, however, there has been a great stirring in Washington circles and in farm organizations over what many seem to regard as the cure for all the ills of agriculture, including mounting surpluses of farm products.

Several "dual price systems" have been proposed, designed to elevate the price of farm products for those portions of crops used here in the United States but permitting farmers to grow as much as they desire for sale in world markets at the lower world price.

In effect, these are nothing more than revivals of the McNary-Haugen plan and the Export-Debenture plan, both of which gained great numbers of adherents during the 1920's. President Coolidge, in fact, twice vetoed legislation embodying the McNary-Haugen plan. He recognized that this plan was socialistic or communistic in concept and that its window dressing of "equality for agriculture" was nothing more than an attempt to redistribute income by taking from the industrial section of the population to give to the agricultural section.

The Export Debenture plan, the Agricultural Adjustment Act, the processing taxes found unconstitutional in 1935, and federal supports for farm products to elevate prices to artificially high levels all embody the same socialistic or communistic principle.

"Fair" Price A Myth

Any dual price system regardless of whether payments are made to farmers through direct subsidies from the Treasury, through some complicated certificate plan which theoretically costs the Government nothing, or through utilizing import revenues—would cost the general public far more in the long run than the present makeshift program. In addition, the sponsors have ignored entirely the effect upon our relations with friendly countries of our "dumping" large quantities of farm products upon the world markets.

A case can be made, undoubtedly, for federal intervention to assist farmers during periods of severe industrial recession. Since prices of farm products traditionally are more sensitive to changes in industrial earning power than most other commodities, farmers are hard hit during periods of declining industrial activity and large scale industrial unemployment. But, by the same token, it must be realized that, when employment and wages are high, farmers fare better than other sections of the population.

It is specious to assume, even though Congress actually has declared so, that there is any fixed relationship between prices of farm products and those of other commodities that represents a "fair" price. The "parity" concept, based on this fair price assumption, is nothing more than a perpetuation of a fraud. Originally, the period chosen for determining the so-called fair relationship was 1910-1914, when prices of farm products were exceptionally high relative to other commodities by reason of short crops due to unfavorable weather!

The "modernization" of the parity relationship goes even beyond this. It would take as its base a recent inflationary period, when farm products prices were even more distorted relative to other commodities. And, if this jugglery should fail to result in higher parity prices for any individual farm product, the pre-World War I base would be used instead.

Nevertheless, this is the official concept of fair prices for farm products. It should be obvious that any attempt to perpetuate this concept as a national policy, year in and year out and regardless of world supply conditions, cannot be successful. An understanding of this is basic in considering the so-called farm problem.

Agriculture has come a long way since pre-World War I, and progress is continuing apace. Fewer farmers can produce more food and other farm products than ever before. Yields per acre, milk production per cow, egg production per hen, beef cattle and hog production per bushel of feed, and so on, have increased by leaps and bounds and still are rising.

During recent years, mechanization of agriculture has progressed rapidly. Improved insecticides, fungicides, and weed killers—products of the chemical industry—have further lightened the farmers' work and contributed to increased productivity.

Even highly variable weather conditions are being overcome, although more slowly. Deep wells have been sunk in many areas to enable farmers to irrigate their crops and provide water for livestock when precipitation is deficient. This is in addition to the damming of streams to conserve water for irrigation during dry periods.

With all this, the man hours of work required to produce a bushel of corn or wheat or a bale of cotton have declined sharply. Expenditures for equipment and its upkeep have risen but, even after allowing for this, the actual cost of producing an individual unit of farm products has declined sharply. Consideration must be given, of course, to the upward trend of prices of commodities generally in this concept of decline.

Parity Prices Far Above Costs

As a result of the decline in the relative unit cost of producing farm products through the application of science to agriculture, farmers are able to produce profitably at prices far below parity prices or so-called fair prices.

Many modern farmers can produce crops profitably at 50 percent or less of parity. The great bulk of our agricultural output is produced by such farmers. There still are, of course, many small, inefficient, and inefficiently operated farms where costs of production are even higher than parity.

When guaranteed parity or close to parity prices through government loans and support programs, it is inevitable that the low cost farm operators—who produce the bulk of production—will overproduce. So would any industrialist if guaranteed an artificially high price by the Government for all that he could produce, regardless of actual demand conditions.

Eventually, as happened prior to the war and is happening again now, the Government is forced to take over and hold mounting surpluses of farm products. World War II, with its sharply rising prices and great demands for farm products, pulled the Government out of an impossible situation once but we cannot have a war every 10 or 15 years.

Since farmers inevitably will overproduce if guaranteed artficially high prices, the only alternative is to put farmers in a strait jacket through restricting acreage and production. Good farmers and poor farmers, low cost operators and high cost operators, are subjected alike to the same percentage reductions when so-called acreage allotments and marketing quotas are imposed. Progress is stifled.

Farmers vote on marketing quotas, with the threat held over their heads that failure to approve by the requisite two thirds vote means withdrawal of price supports. Every farmer has one vote, regardless of the size of his acreage, and the more numerous, small, high cost operators almost invariably have outvoted the fewer but much larger, low cost operators. Thus, inefficiency is subsidized and perpetuated.

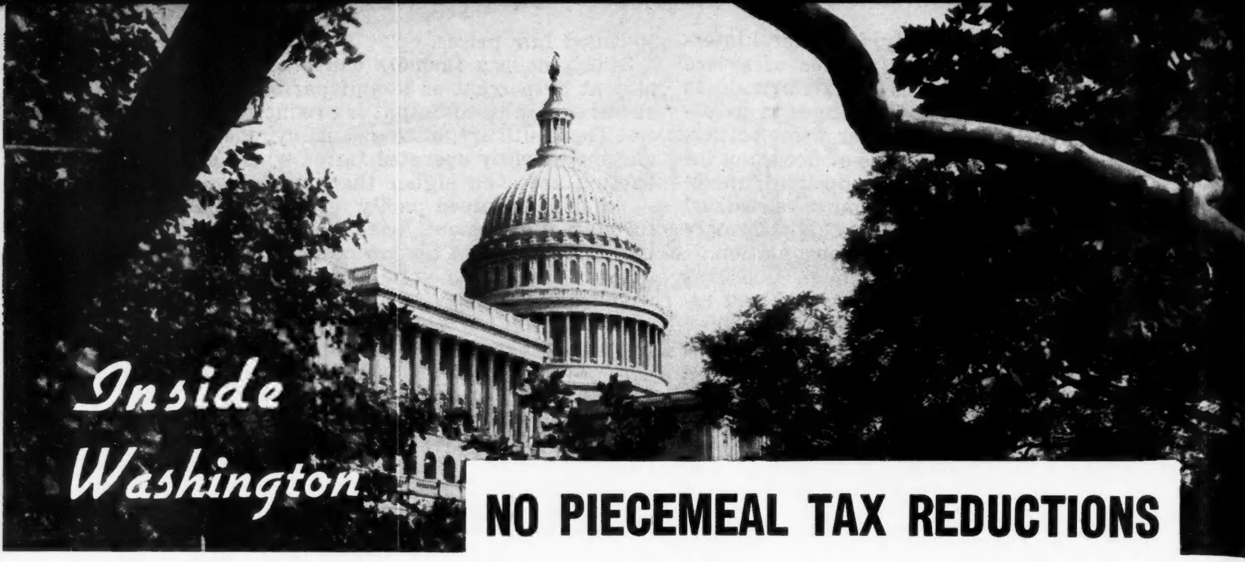
The Nature of the Farm Problem

During the years immediately following World War II, before agri- (*Please turn to page* 632)

Crop Estimates
(Thousands of Units*)

	July 1 Indicated	Final 1952	Avg. 1942-51
Corn	3,336,501	3,306,735	3,036,380
All Wheat	1,174,708	1,291,447	1,088,548
Winter Wheat	821,372	1,052,801	797,237
All Spring Wheat	353,336	238,646	291,311
Durum Wheat	28,701	21,363	37,360
Other Spring Wheat	324,635	217,283	253,952
Oats	1,318,820	1,268,280	1,324,614
Barley	246,728	227,008	295,299
Rye	17,422	15,910	25,837
Flaxseed	39,955	31,002	38,312
Rice, 100-lb. bags	48,439	48,660	35,120
All Hay, tons	105,274	104,424	102,296
Potatoes	376,773	347,504	411,007
Tobacco, pounds	2,125,427	2,254,855	1,948,844
Sugarcane	7,223	7,599	6,281
Sugarbeets, tons	10,925	10,169	10,027
Hops, pounds	42,080	61,263	51,075

***—Units in bushels except where otherwise indicated.**



NO PIECEMEAL TAX REDUCTIONS

By "VERITAS"

SURPRISING is the speed with which the public forgets a congress when it has recessed. Many members of the senate and house still are packing to go home; others are staying on for various reasons, one of them because his dog has strayed away and he's waiting to see if it will return. Business is attempting to digest the grist of the final few days, assess its impact upon private enterprise. Already thought has shifted to foreign affairs: will the Korean truce bring real peace, even if only a peace to be measured in terms of years; will Russia insist that its participation in a world powers conference to "get along" be strictly conditioned on Red China being admitted as a conferee?

WASHINGTON SEES:

It isn't accurate, or even fair, to refer to the recent session as "Eisenhower's first congress." The President didn't have the degree of control he needed, didn't get the crusading support he was entitled to have. To add to his woes, some of the older citizens serving in congress and placed in charge of legislative spigots solely on the basis of seniority, approached the tasks in a crotchety mood, demanding that their viewpoints be accepted, or rejected at the cost of no legislation at all. Example: Rep. Daniel Reed's performance with the excess profits tax bill, in which it finally became necessary to ride herd over him.

Although the temptation must have been great to label the session as another "Do Nothing Congress" (a term that caught on before) that charge has not yet been heard from any responsible critic. To be sure, not all campaign promises were kept in the first 12 per cent of the term to which Ike was elected; the budget was not balanced and taxes were not cut, in fact an increase in the national debt is just about assured. But Eisenhower could not be expected to bring about in six months what preceding heads of government couldn't accomplish in 20 years. At that, he got favorable action on two-thirds of his legislative requests.

Ike may have made a faux pas in his report to the nation. He claimed all accomplishments at GOP doings, didn't acknowledge the aid the democrats gave him, without which he might not have had a solitary bill passed in the form he wished it. That's hardly a good way to promote cooperative effort. The resentment may be felt in the next session.

THE PRESIDENT has indicated by his "pocket veto" of the motion picture theater admission tax repealer that he does not favor a piecemeal approach to the reduction or elimination of excise taxes. Both houses of congress had voted overwhelmingly to erase from the books the 20 per cent levy on admissions. The movie exhibitors pleaded that TV and other forms of competition are making the business of exhibiting films a dying business. Ike took the position that they were not alone in their problem; that other excise taxed lines of business are suffering also and to relieve one would be unfair to the others. Exhibitors intended to retain the profits of the repealer, not reduce ticket rates.

NECESSARY revenues must be rung up if the wishes of congress as expressed in its appropriation bills are to be observed. It really matters little in the long haul whether just about everything is blanketed in under a series of separate excise taxes, or all is pulled together under a manufacturers tax. The latter seems to offer just about the only alternative in a situation where congress is aiming at reducing general income taxes, won't want to raise them to compensate for losses through excise repealers. The alternative involves a 5 per cent rate on everything now under excises, but provides for collection at the source.

NEIGHBORHOOD shopping centers are coming into existence in such numbers as to create an un-economic situation which finds the centers in direct competition with one another rather than operating in their planned orbit, winning business by the reduced prices which heavy sales make possible. This is not very profitable.

As We Go To Press

President Eisenhower's financial advisers cannot wholly escape responsibility for the setback the Chief met when he made an 11th hour petition to congress to raise the national debt ceiling. It would be naive to suggest that it was not until the eve of planned adjournment that the Secretary of the Treasury suddenly discovered that there was too little leeway between actual debt and the statuory ceiling, and that appropriations were bound to carry the load over the spillway.

The conclusion seems warranted that what was intended to be a skillful political maneuver failed to come off as expected. The 11th hour message from the White House anticipated that a congress exhausted from work and the Washington heat spell, and anxious to close shop and go home, might grumble some but would push the bill through. That happened in the house, but the senate balked.

Whenever FDR wanted the debt ceiling boosted he sent a message to that effect to the Hill. He didn't bother with "timing." But FDR and Ike didn't stand in the same position with respect to congress. The President's party this time is walking on eggs to protect its hairline numerical control; FDR always had a tremendous numerical advantage, and while some of his own party occasionally rebelled the very fact of their stroll off the path seemed to strengthen the determination of the "regulars" to win over undecided votes to the cause.

Additionally, it was much easier for FDR to illustrate the need: all he had to do is point to the fact that he had inherited a depression and wanted to take care of the ill-fed, ill-housed, and ill-clothed; or ask, in more diplomatic language, "don't you know there is a war going on?" There's nothing dramatic about bookkeeping and recital of statistics. And that's all that Ike had to offer to support his position. Few doubt that the ceiling will be raised at a special session later in the year. Some say they want to see if the latter months of this year bring tax incomes above earlier forecasts. There is some respectable authority here that says the opposite will be true.

The house voted for the increase with some misgivings but the senate, possibly because its members have longer stretches between campaigns simply said no. Members of congress elected on promises to balance the budget and reduce taxes, came to the finish line with neither objective accomplished. They hesitated to emphasize a worsening fiscal picture by knocking the roof off the debt limit. So they postponed what most of them really believe is the inevitable.

They'll pay for their hesitance when they return in special session. President Eisenhower is certain to ask for action on expanded social security coverage at that time, and he'll also want proposed revisions of the Taft-Hartley Act taken care of in the special session to relieve congestion in the upcoming regular session. The congressmen will find that the vacation they hoped would be of months duration probably will not be more than a few weeks at each end.

President Eisenhower has shown a willingness to abandon first impressions when he finds they mislead him. A case in point was his reversal of form on the proposition that a seventh member be added to the U.S. Tariff Commission. He had not come out flatfooted for it but had given the impression that the idea of insuring against tie votes by having an odd-number commission appealed to him. After re-examining all the facts and realizing that the bi-partisan makeup of the body would be destroyed if a seventh member appointed (naturally the added member would be a republican and a valuable political plum dangled) Ike not only declared against a seventh member, but also he made his distaste for the whole idea known to congress.

The Reciprocal Trade Act extension was voted under conditions which spread partisan politics like a tent over the committee action. Many high protective tariff advocates in congress saw a chance to accomplish in this manner the ends which were defeated when Rep. Simpson's proposals for higher tariff and import restrictions were voted down. Rep. Dan Reed was head of the house conferees on the bill and he's still smarting under the defeat he suffered when excess profits tax was continued over his bitter objections. Reed had threatened to hold up the works. But Ike came through with an outstanding protectionist, Walter R. Schreiber, to fill a commission vacancy, whereupon opposition to the extension dissipated, evaporated. Rep. Simpson made a speech praising schreiber. Reed said he's a good man.

Much of the future of the United States in the field of foreign trade, and export-import, will be wrapped up in a commission soon to be appointed to investigate the international trade outlook and report to congress next year. President Eisenhower's appointees' past, their public and private statements, will pass under microscopic examination in an effort to determine what, if any, predictions they bring to their new jobs: are they already confirmed free traders, protectionists, or objective examiners of the facts and the outlook? A commission weighted for or against high tariff might as well save the time that would be consumed in writing a report. What Ike is being asked to do is impossible: to find commissioners who are experts in the field of world trade, yet have no clear-cut opinions as of now on tariff and export.

The kindly feeling congressional democrats are expressing toward their republican colleagues in connection with filing the vacancy caused by the death of Senator Taft is really touching. At the same time a look behind the scenes isn't out of order. One by one, the democrats are expressing approval of the expected appointment by democrat Gov. Lausche of a republican to fill the Taft seat. If a democrat were named the democrats would have 48 to the republicans 47 seats, but Senator Wayne Morse (Independent) has said he will vote with the republicans on senate organization. That would create a tie, which Vice President Nixon would be forced to break for the republican side.

In the present state of legislative turmoil and general government uncertainty, the leading political tacticians in the democratic party are hoping Lausche picks a republican. That would bar the chance of the dems having to take over and assume the responsibilities of a majority congress without a working majority. They would rather wait until the next election, take their chances of winning both houses by large majorities, then just about ignore the White House and carry on their own program.

That they believe will give them the strength needed to win the national election in 1956, hand Gov. Thomas E. Dewey his third defeat for the highest elective office. In democratic headquarters the records of all prospective GOP nominees are being kept up to the minute but chief concentration is on Dewey. They are fully convinced he will be the republican standard bearer having already counted Eisenhower out of interest in a second term.

Meanwhile, President Ike probably cares little whether a member of his party or a democrat fills the Ohio vacancy. He would naturally regard an overturn of congressional control a reflection on his administration, possibly having unfavorable repercussions abroad. But on the legislative front in Washington he would fare just about as well either way. An examination of the roll call votes taken and of the record of those who spoke for, and against, Administration measures will show that Ike drew much of his support from the democrats and at times the dems gave him more votes than the republicans were willing to register for their own Administration's legislative ideas.

The new American Ambassador, Clare Boothe Luce, leaving a conference with Italian officials who apparently are enjoying her company. While the setting is pleasant, it does not obscure the fact that Italy is becoming less enthusiastic about American policies in Europe.

Italy at the Crossroads

By V. L. HOROTH

Twice in less than two months the Western World has suffered a setback in Italy. Early in June at the general elections the pro-American, pro-European-union Government of Premier Alcide De Gasperi failed by a very narrow margin to secure an absolute majority of the popular vote in the Chamber of Deputies. Then a week or so ago, the parties forming the government coalition fell out among themselves and the De Gasperi regime collapsed. At the time of this writing, a new coalition will be attempted after the fall of the most recent incumbent, Signor Attilio Piccioni. From all indications the new regime will again be an uneasy coalition of groups ranging from trade unionists to wealthy landowners, who have banded together not because of any positive common policy but rather in fear of the chaos that the extremists of the Right and Left could bring about.

The new coalition will muster a majority of only 16 votes in the Chamber numbering 590 members. Whether such a majority will be able to swing such legislation as the ratification of the European Army Treaty remains to be seen. Through concessions the new regime may win temporary support from either the right-wing moderate socialists of Saragat or from the extreme right-wingers, the Monarchists and Neo-fascists. At any rate, it looks as if there will be a great deal of horse-trading and manipulating for the support of splinter parties. If the Christian Democrats ally themselves with the Monarchists and Neo-Fascists, the Socialists of different shades are certain to be thrown into the communist camp. Thus Italy, as the New York Times editorial stated it recently, is likely to be exposed to "the same kind of governmental decrepitude that plagues France and discredits democracy . . ."

How did Italy get herself into this situation, the reader may ask, after the United States spent some \$3.2 billion in economic aid for the rehabilitation of the country? Why did the democratic De Gasperi regime lose ground although it did more building for the future than Mussolini's fascism?

In searching for the explanations for the defeat of the democratic Center regime, the London Economist suggests that "frustrated nationalism" may have been a principal reason for the gains made by the extreme right-wing parties, the Monarchists and the Neo-fascists. These parties gained almost twice as many votes as the extreme left-wing parties, but still account for no more than 13 per cent of the electorate. Nevertheless, everything in-

Italy: Balance of International Payments (In Millions of U.S. Dollars)	1949	1950	195	1952
MERCHANDISE TRADE:				
Imports	1,400	1,360	1,915	2,103
Exports	1,115	1,200	1,640	1,420
Balance	— 305	— 160	— 275	— 683
INVISIBLE ITEMS:				
Shipping & freight	— 95	— 60	— 104	— 56
Tourist trade	+ 35	+ 67	+ 72	+ 75
Emigrant remittances	+ 95	+ 74	+ 73	+ 107
Other items	+ 50	+ 29	+ 11	+ 72
Net income from invisibles	+ 85	+ 110	+ 52	+ 198
Balance of Current Account	— 200	— 50	— 223	— 485
E.C.A. Grants & Loans	331	239	278	220

dicates that the movement to the right has by no means spent itself. Italian patriots are "frustrated" by the role that the Western Allies have assigned to Italy. There is nostalgia for the days when Italy was one of the great powers. The Neo-fascists accuse De Gasperi of being too meek, too passive—particularly in the matter of the Trieste question which continues to be a powerful issue in Italian domestic politics.

Another development that may have estranged many of De Gasperi's former supporters is the electoral law which the Christian Democratic coalition jammed through last spring. This law gives "the majority premium" of nearly 65 per cent of the seats in the Chamber of Deputies to any coalition of parties that receives an absolute majority of 50.01 per cent of votes. By a quirk of fate the Christian Democratic coalition polled only 49.8 per cent of the total vote and thus by 57,000 votes lost the chance of having a decisive majority.

Finally, in Italy, as in other European countries, there is a tendency toward old-fashioned conservatism. There is disillusionment with planning and socialism, and the people desire simply to have their currency stable, savings protected, and taxes lower.

While the De Gasperi Government was being accused of moving too fast by the conservative element and the Monarchists especially in the matter of land reform, the left-wingers attacked him for moving too slowly. With potential emigrants dammed up at home, the land hunger has been worse than ever, which explains why the radical left-wing socialists made some of their most impressive gains in the otherwise conservative South.

With the country burdened with some 2 million unemployed and many more only partially employed, the De Gasperi regime was accused of making poor progress in reducing the wide gulf that exists between rich and poor in Italy. The lack of hope of any improvement in the near future may have been behind the shift of some half million trade unionists from the pro-western socialists of Saragat to the radical socialists of Nenni who are willing to cooperate with the communists.

The weakening of the middle-of-the-road center may have repercussions going far beyond endangering democratic processes. It is bound to be followed by an attack at the free enterprise system which the De Gasperi regime successfully revived after two decades of enforced self-sufficiency imposed first by Fascism and then by war. Now that the American aid is to end and Italy is to stand on her own feet again, the totalitarians of both Right and Left are already urging a retreat from free enterprise. The salvation of Italy is seen again in the revival of the old autarchy: the self-sufficiency of the country and in a vast investment in unproductive enterprises for the sake of creating jobs. All that would, of course, spell a return of inflation and the re-establishment of controls over trade and industry.

Accomplishments of Postwar Democratic Regimes

Generally speaking, Italy is faced by two sets of problems. One is temporary, involving the political and economic reconstruction of the country. The other one is of a more chronic nature. It involves, as will be seen, not only the solution of the two "crosses" borne by Italy, overpopulation and the rehabilitation of the South, but also a solution of the raw material supply for Italian industries.

The temporary problem of reconstruction has been formidable enough. Wartime devastation had to be repaired, military occupation and reparations costs covered, industries modernized, raw materials provided for industries and Italy refitted—after 20 years of Fascist regime—into the pattern of world trade. Under the circumstances, Italy's postwar democratic regimes have done pretty well, especially in comparison with France which has by far the greater resources. The Marshall Plan was of invaluable help in providing raw materials and food during the period of rehabilitation and in the battle against inflation which Italy won in the fall of 1947 by adopting drastic credit restrictions and by balancing budgets along strictly orthodox lines.

During the early summer months of this year, Italian industrial production was some 60 per cent above pre-war (1938=100). Engineering industries were doing a little better than the average as a result of armament orders given to the Italian producers by the United States. According to "the Survey" published by the Italian Joint Stock Companies, the orders from this country exceeded $200 million and were distributed as follows: munitions $94 million, airplane parts 17 million, vehicles $9 million, ships $69 million and electronic goods $12 million.

In contrast with the engineering industries, the textile industries were at barely a prewar level of production as a result of the shrinkage of exports. Cotton mills were working only 35 hours a week and a considerable part of the output had to be warehoused. The output of electricity is now nearly twice pre-war.

Italy's trade reached a peak in 1952, with exports at $1.4 billion which on the volume basis was about 70 per cent above prewar. But in the same year, as will be seen from the accompanying table, Italian imports came to about $2.1 million, leaving a trade deficit of some $700 million. Italian tourist earnings and emigrant remittances reduced this deficit to less than $500 million. However, since American aid to Italy was only about $220 million in 1952, the country had to dip into her gold and dollar reserves and/or receive credit from the European Payments Union in order to balance her international accounts.

Precariousness of Postwar Recovery

While Italian exports to Great Britain and France were to a considerable extent affected by the import

restrictions of those countries, nevertheless the deterioration of Italian trade and balance of payments position in a period of world trade slump and of German and Japanese competition is disquieting. As already mentioned the fall in exports has already had damaging effects on the textile trades and on Italian producers of fresh fruits and vegetables.

The export slump points out the grim fact that the genuineness of Italy's postwar recovery has yet to be tested. There is a great deal in the opinion that Italy is basically a marginal producer, i.e. a producer that can export or make money only under favorable conditions such as prevailed during the earlier postwar years when industrial goods were short. More than half of Italian industry continues to be government-owned—the heritage of the Fascist era; besides many industries are still forced to keep on their payrolls more workers than they really require with the result that their overhead is high.

The lack of capital for modernization is another problem that has kept Italian industries back. Despite laws guaranteeing transfer of foreign capital within two years of the investment, foreigners invested only about $20 million in Italy during the 4⅓ years ending last December. Foreign capital has been apparently discouraged not only by the uncertain political outlook, but also by high taxes and labor demands. Mr. Frederick C. Crawford, chairman of the Thompson Products Comany of Cleveland who headed the group of American businessmen sent to study the Italian situation at the request of Mutual Security Director Harold Stassen, deplored also the fact that "Italian businesses are monopolistic and they want to remain so . . . taxes are high because they are based on "production-hour" measurements, and work so as to keep costs high and wages low." To render Italian goods more competitive in international markets the Italian Government has promised to refund certain taxes collected on export goods.

The irony of the situation is that the South Italian market which currently absorbs only a fraction of what the North consumes could probably absorb all the current unexportable surpluses of consumer goods if it had the chance. By speeding up the rebuilding of the South the Italian Government could easily expand the purchasing power of the rapidly growing population of Southern Italy. But De Gasperi refused to do so for fear that the precarious balance between inflationary and deflationary forces would be disturbed. Besides, in a country which is as dependent as Italy on the importation of raw materials, any increase in consumption is immediately reflected in the increase in imports. And unless these extra imports can be paid for by exports a pressure on the gold and dollar reserves develops.

"The Crosses of the Italian Economy"

If forces of democracy are to prevail in Italy the country must solve two problems: over-population and the economic backwardness of Southern Italy. The problem of Southern Italy dates back to the time of the unification of Italy in the 1860s. At that time Southern Italy was not inferior to other parts of the country, but unification exposed the South, protected behind its own tariff wall, to the industrially more advanced North. The result was a rapid industrial decline of the South in the face of expanding population. As long as emigration provided a safety valve (in 1913 for example 870,000 emigrated) the situation was tolerable. Today hardly could two countries be as different as Southern and Northern Italy. Although Southern Italy has roughly 40 per cent of the country's population, its income is only 20 per cent of the total. Most of the unemployment is also centered in the South which being predominantly agricultural has about twice as high a population—increase ratio as the North. "In Southern Italy in 1950 the average individual income was no more than $115 a year", writes Ugo La Malfa, Italian Minister for Foreign Trade, in the January 1953 issue of "Foreign Affairs", and he adds:

> There were seven automobiles and 35 radios to every 1,000 inhabitants and correspondingly low consumption of food and expenditure for clothing and for fertilizers to grow food. In the north there were 131.4 industrial workers to every 1,000 inhabitants in 1938 and 133.4 in 1951, while in the south the number went down from 49 per 1,000 to 46, thereby worsening a situation that was already bad enough. As a result, 17,000,000 South Italians do not constitute a domestic market that anywhere near corresponds to their numbers. Their extreme poverty and lack of skill at any particular work mean widespread unemployment and the multiplication of petty middlemen, whose profits prevent any increase in consumption.

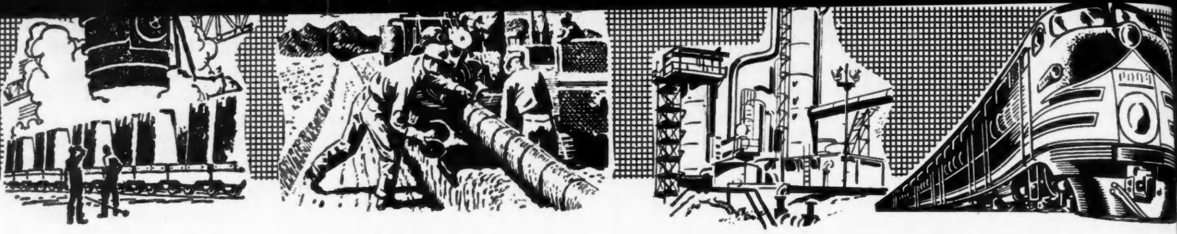
To attack the backwardness and depression in the South the De Gasperi Government launched in 1950 a 12-year plan calling for land reform and the rehabilitation of some 10 million acres of land. Through reclamation and irrigation the annual output of this land is to be tripled. The cost of the project, which is handled by an agency called the "Cassa del Mezzogiorno" and which will include redistribution of some 1.7 million acres of land, will come to 1.3 trillion lire (over $2 billion).

The project, has already been started but the purchasing power generated by so huge a scheme is constantly inflating Italy's purchasing power with the result, as has already been mentioned, that imports are increasing. The point is that with a slump in exports the present rate of imports simply cannot be maintained, particularly in view of declining American aid. Thus the building of the South Italian economy is in danger of being slowed down still more. (*Please turn to page* 633)

U. S. Economic and Military Aid to Italy Up to March 1953

(in Millions of Dollars)

GRANTS	
Food supplied (Treasury funds)	$ 134
(Army funds)	410
Interim Aid	176
Mutual Security (Marshall) Aid	1,303
Post—UNRRA	117
United Nations Relief	416
Other grants	22
	$2,578
LOANS:	
Export-Import Bank	$ 155
Mutual Security loans	96
Ship loans	66
Surplus property loans	144
Others	3
	$ 464
Grand Total	$3,042



1953 Midyear Re-appraisals of Values; Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for Machinery and Machine Tools — Building — 35 Specialties

Part IV

Since the end of World War II, investors have had to adjust their thinking to an entirely different set of standards than those of pre-war days. New industries have emerged and the success of some of them, such as electronics and petrochemicals, in particular, has placed an unusually high premium on their common stocks. In some cases, however, these premiums have resulted in the stocks outpacing earnings and this has rendered them especially vulnerable to the type of market declines in evidence recently. It is therefore obviously more necessary than ever to apply realistic standards of value to securities in a market which is showing a pronounced tendency to evaluate earnings on a much more conservative basis than has been true in recent years.

The test of earnings is being applied more rigorously to the older established segments of the market as well, with the result that the sifting process relentlessly exposes situations of weakness as well as those of strength. In the final analysis, the position of each stock depends on the internal factors influencing the company which it represents. These are principally the factors of sales, prices of products, the profit margin (before and after taxes), the margin of earnings over dividends and shifts in working capital position. Without knowledge of these highly important trends, the investor is at a disadvantage.

Because of our appreciation of the importance of such information we are again presenting for the benefit of subscribers our Mid-Year Dividend Forecast and Re-Appraisal of Security Values. In addition to the essential statistics on sales, earnings, dividends and other important data, we have included our comments on the position of each company. In addition, the stock of each company listed is rated according to investment- and speculative-quality, as based on our analysis of the combined factors affecting each company. These comments and ratings should offer a convenient guide for investors.

Important Industries Covered in Mid-Year Re-Appraisal

Railroads — Tobaccos — Textiles — Food & Dairy — Sugar — Liquor and Soft Drinks — Electrical Equipment — Miscellaneous Equipment — Building — Machinery and Machine Tools — Steels — Chemicals — Auto and Auto Accessories — Rubber and Tires — Air and Bus Transport — Oil — Movies.

For the more complete information of our subscribers, we have furnished a complete analysis of the position and prospects for each industry covered. These individual industrial reviews give the latest trends as to sales, prices, inventories, competition and production and as such, they are especially useful as affording a reliable barometer of specific industrial prospects at the end of the first half of the year.

The key to our ratings is as follows: A, Top Quality; B+, Very Good; B, Good; C, Fair; D, Highly Speculative. The numerals which accompany these letters are intended to convey a picture of the actual earnings trend of the company at the present time. Thus, 1—upward; 2—indeterminate; 3—downward. Thus B 1 indicates a stock of good quality with a currently higher trend of earnings.

In special cases, we have marked some stocks with a "W" and others with an "X". Those with "W" should be held essentially for income return. Those marked "X" seem more suitable for holding for appreciation.

It is advisable that subscribers consult Mr. A. T. Miller's market advice, appearing in each issue. This may aid in better timing of purchase and at least should furnish the subscribers with the latest market information as a general background to any specific security transactions contemplated.

For the guidance of subscribers, we should emphasize that our investment policy at this time must be governed by the obvious necessity of applying the utmost care and even conservatism in the valuation of stocks. This is especially due to the transitional character of the present market. Therefore, any ratings herewith attached to individual securities are subject to change as future conditions develop.

These will be noted in future issues of the Magazine.

few years back he had to take what the builder offered—and "like it."

The Peak Passed

With supply once more adequate, therefore, it seems safe to say that residential building has passed its peak for the present cycle. Construction this year seems likely to fall slightly from the 1952 total, so far as non-farm dwellings are concerned, but the number of new houses built this year may be greater than in 1951, indicating that for the fifth consecutive year the number of new homes built may top a million. When one considers that housing starts approximated only 509,000 in 1929 and never reached as many as 800,000 in a single year until 1947, one may realize that the industry could sustain a fairly substantial setback, on the order of 20 per cent, before experiencing as poor a year as any which preceded 1947.

Economists and bankers familiar with real estate anticipate a moderate curtailment in construction activity in 1954, but few experts forecast a slump that would mean actual hard times. Conditions seem likely to become more competitive among suppliers of building materials and profit margins may grow slimmer, but the strong, efficient factors appear destined to fare well.

Pessimism evidenced toward shares of building materials concerns on the theory that the peak has passed appears a trifle premature, however, if government statistics may be accepted as an accurate measurement of activity. Total expenditures on construction climbed to a new monthly high in July at $3.3 billion for an 8 per cent increase over the same month last year. Moreover, for the first seven months the increase over 1952 approximated 8 per cent and set a new high for the period. As a result, government economists have revised upward their estimates of 1953 construction awards to $34.5 billion. Such volume would compare with last year's $32.3 billion and with an earlier estimate by Washington experts of $33.5 billion for this year.

Gains recorded last month were accounted for in large measure by a better-than-seasonal rise in commercial construction as well as by the normal upturn in highway construction and increased activity of public utilities. Incidentally, partly as a result of higher prices, expenditures on residential building topped $1 billion for the third straight month in July. Hence, it seems possible any letdown in residential building will be more than offset by increased volume in other fields of construction.

In appraising prospects for manufacturers of building supplies in the light of a prospective mild retrenchment, the investor must take into considera-

Is BUILDING At a Peak?

By STANLEY DEVLIN

This has been a year of disappearing shortages in building. Supply has been catching up with demand. This condition has been just as evident in construction as in most other industries. Moreover, elimination of shortages so far as building supplies are concerned has resulted not so much from a diminution in demand as from an abundance of all kinds of materials. Manufacturers have been expanding production to an extent that new high records have been established with great regularity.

Home, sweet home is as popular as it ever was in song and story, but the need is not nearly so urgent as six or seven years ago. Not every family is satisfied with its present abode—and potential buyers of new homes could be found in large numbers if prices were reduced to prewar figures—but as a general proposition anyone earnestly searching for shelter can be accommodated in some fashion. In short, the prospective home builder now can be discriminating to a considerable extent, whereas only a

in the economy. Allowance must be made for tightening of money rates and stricter adherence to sound financing principles. Calculations also must take into account the likelihood that industrial construction may set a slower pace now that the cessation of Korean hostilities has minimized the urgency of speeding production of armament supplies. On the other hand, maintenance of high personal income encourages the prospect of an increase in repairs and improvements on existing homes and public buildings. This sort of work has been postponed to a considerable extent by new building projects attracting available labor.

If general business conditions remain satisfactory, it would be reasonable to look for a moderate increase in public works. The need for additional schools, for example, is becoming urgent in many communities which have grown remarkably since the war. The rapid increase in population in the last decade has accentuated the need for many types of public works in addition to schools. More hospitals are required, for example, partly as a result of extension of hospitalization programs. Public housing projects have reached unprecedented heights in response to demands for higher living standards in metropolitan areas. Large housing developments in outlying districts have created a need for modern shopping centers which involve construction of stores, supermarkets and the numerous utilities required for communities of this sort.

Maintenance and Repairs

That there will be changes in trends is generally admitted by real estate authorities. Whether expenditures on improvements and on public works will fully compensate for a drop in residential and industrial construction is anyone's guess, but if national income remains at or near current levels and if other industries show no serious dip, it would not be surprising if the volume of maintenance and repairs on existing dwellings should increase appreciably. Two reasons may be advanced for this view.

Position of Leading Building Stocks

	1953 Interim Reports			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Alpha Port.and Cement	$ 25.1[1]	10.6%	$4.54[1]	$ 25.3	10.9%	$4.74	46	$3.00	6.4%	B2	Strong demand indicated for road building and heavy construction, suggesting full year's earnings near 1952 level and dividends at $3.
Amer. Radiator & S.S.	140.8[4]	4.5	.62[4]	277.1	6.5	1.78	13	1.25	9.6	C3	Probable downtrend in residential building may retard sales in 1954. Sales and earnings this year indicated near 1952 to'al. Small extra likely.
Armstrong Cork	56.5[10]	4.5	1.64[10]	202.3	4.2	5.47	51	3.00	5.9	B2	Strong trend toward hard floor coverings expected to sustain volume. Increase in dividend to $3 rate indicates confidence in 1953 profits.
Celotex	27.5[2]	4.2	1.17[2]	52.0[3]	3.1	1.54[3]	17	1.50	8.8	C2	Rise in maintenance activity helps volume. Earnings recovery expected to assure adequate coverage for $1.50 dividend. Competition keener.
Certain-Teed Products	29.8[4]	6.0	1.10[4]	53.6	6.1	2.24	13	1.00	7.7	C2	Recovery in sales and earnings anticipated this year sufficient to assure modest extra dividend, but narrower margins likely for 1954.
Crane Co.	70.6[10]	1.7	.47[10]	319.2	3.1	3.96	28	2.00	7.1	C3	Rising costs indicate less satisfactory margins. Sales drop foreseen next year. Earnings a trifle lower, but $2.25 dividend likely.
Devoe & Raynolds "A"	23.7[5]	3.2	1.37[5]	45.8	3.1	2.49	20	2.00	10.0	B2	Consumer demand well sustained despite some slackening in industrial volume. Earnings showing modest gain and $2 dividend is amply protected.
Flintkote	17.6[10]	4.2	.53[10]	84.0	5.8	3.61	27	2.00	7.3	B2	High level of maintenance activity expected to help sustain earnings but volume may taper in 1954. Profit may rise slightly. Usual extra seen.
General Portland Cement	15.3[4]	15.6	2.30[4]	29.4	16.6	4.71	47	3.00	6.3	B2	Serving rapidly growing area, sales likely to continue gains and earnings may top 1952 figure. Low cost producer expected to pay $1 extra dividend.
Holland Furnace	13.7[4]	(d)1.8	(d) .28[4]	35.0	3.7	1.45	14	1.00	7.1	C3	Difficulty in controlling expenses tends to re'ard earnings recovery, but modest imporvement indicated and current reduced dividend seems protected.
Johns-Manville W	123.4[4]	9.2	3.58[4]	244.7	9.2	7.14	60	4.25	7.0	A2	Strong promotional efforts likely to sustain sales despite keen competition and earnings may compare favorably with 1952. Same dividend as last year seen.
Lehigh Portland Cement W	25.9[4]	9.6	1.31[4]	53.6	10.8	3.07	26	1.20	4.6	B2	Volume due to expand with enlargement and improvement of facilities, but margins likely to be narrower. Modest gain in earnings. Dividend seen stable.

(d)—Deficits.
[1]—12 months ended June 30.
[2]—6 months ended April 30.
[3]—Year ended October 31.
[4]—6 months ended June 30.
[5]—6 months ended May 31.
[6]—9 months ended May 31.
[7]—Year ended August 31.
[8]—Year ended April 30, 1952.
[9]—Year ended April 30, 1953.
[10]—Quarter ended March 31.

More than half of the homes in this country were built before 1923, while an additional 19 or 20 per cent were constructed between 1923 and 1933, indicating that more than two-thirds are at least a quarter of a century old.

For another reason, the average family in this generation is larger than a quarter of a century ago. An exceptionally large number of families faces the need of larger quarters. As a result, if new construction slackens, contractors will be able to consider smaller jobs involving construction of additional rooms on existing homes. As labor becomes available, numerous repair projects that had been deferred will be offered to contractors. Older structures will be remodeled to incorporate features developed since the war.

Maintenance and repair projects can be readily financed under F.H.A. guaranteed loans, and these may be undertaken where stiffening of rates on new houses may retard speculative residential operations. The advance in money rates together with demands for larger down payments curbed sales in some areas and pointed to a reduction in housing starts in the second half of the year, but the measures appeared to represent a desire to avoid trouble in event of a business recession. In some localities down payments of from 30 to 50 per cent are required on 15-year mortgages at 4½ to 5½ per cent. Some building and loan associations are asking from 5 to 6 per cent for loans to be repaid over a period of 18 to 20 years.

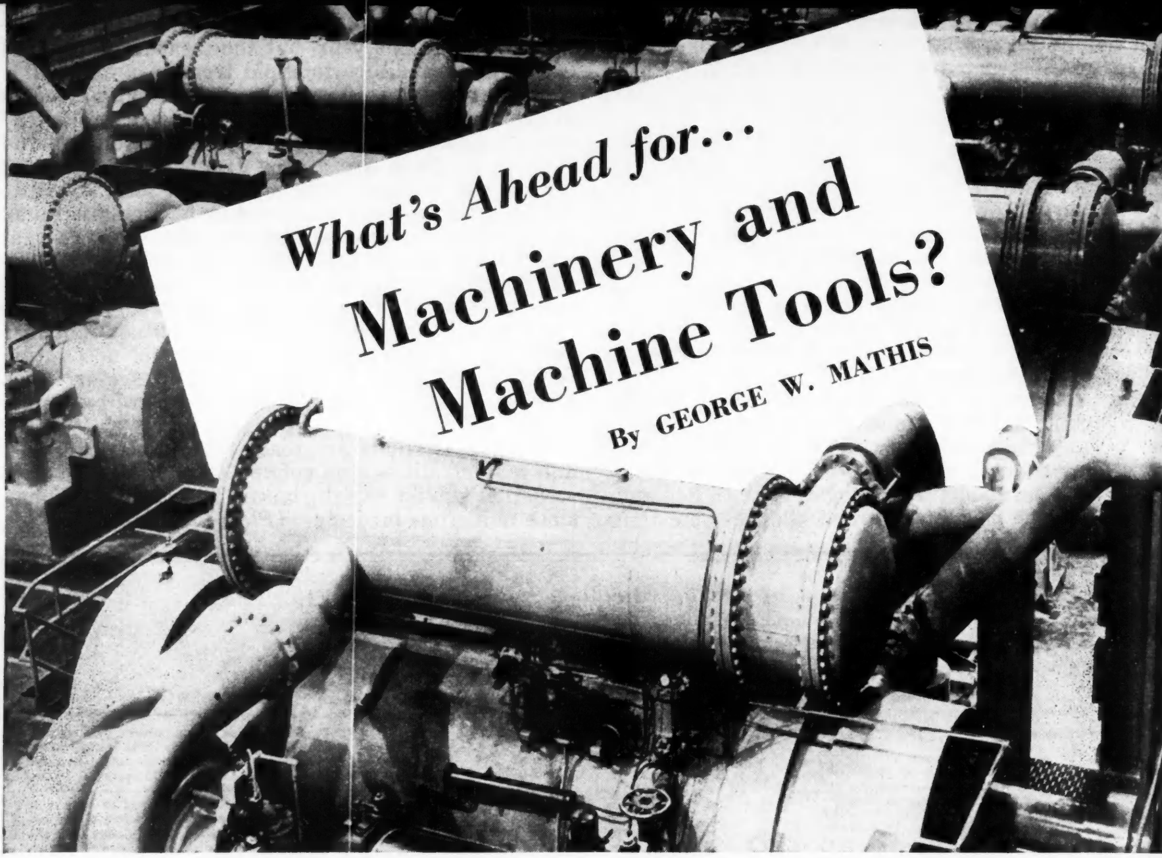
The basis for more conservative financing is found in apprehension over rising labor costs. A house that was built 40 years ago for $1,000 would cost by today's standards $5,730, according to industry statistics. In other words, increased labor and material costs have boosted housing almost 500 per cent in a generation. Labor is the principal factor accounting for increased materials costs. It is the factor which will determine whether housing costs are to remain high.

So long as funds are readily available for states and municipalities, the volume of public works construction should remain large. The need is evident, since numerous projects (*Please turn to page* 630)

Position of Leading Building Stocks (Continued)

	1953 Interim Reports			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Lone Star Cement W	37.1[4]	10.8	1.42[4]	80.9	11.2	3.19	29	1.65	5.6	B2	Demand factor seems strong and volume expected to approach 1952 total, while earnings may improve slightly. Dividend likely to approximate 1952 rate.
Masonite	34.4[6]	7.0	1.78[6]	42.2[7]	8.0	2.49[7]	19	1.00	5.2	B3	Keener competition indicated as output of plywood expands, and profit margins unlikely to improve materially. Net may dip slightly. No extra dividend seen.
National Gypsum	57.6[4]	6.9	1.41[4]	99.1	7.2	2.84	20	1.40	7.0	C2	Expansion of facilities expected to boost 1953 sales, but keener competition indicated for next year. Modest gain in earnings and dividend seen.
Otis Elevator	50.6[4]	7.7	1.97[4]	100.7	8.2	4.19	41	2.50	6.1	B2	High level of unfilled orders seem to assure good volume well into 1954 and margins should prove satisfactory. Net profit and dividends near 1952 totals.
Penn-Dixie Cement	12.5[4]	11.2	2.33[4]	24.9	10.7	4.44	34	2.00	5.8	B2	Increased volume and improved facilities likely to boost shipments and lift earnings this year, encouraging hope of increase in dividend rate.
Pittsburgh Plate Glass W	232.6[4]	8.9	2.30[4]	402.0	9.1	4.07	48	2.00	4.1	A2	High rate of auto production aided sales gain this year, but setback foreseen for 1954. Earnings and dividends may approximate 1952 figures.
Pratt & Lambert	......	......	......	16.4	5.0	4.08	39	3.00	7.6	B2	Strong position in paint suggests stable growth despite keen competition. Larger volume indicated for 1953 and profits, dividends should match 1952.
Ruberoid W	36.0[4]	6.0	3.32[4]	66.0	6.1	6.19	55	3.50	6.3	B2	Large volume in maintenance and repair category likely to sustain volume as new construction sags. Modest gain in earnings and dividends seen in 1953.
U. S. Gypsum W	94.7[4]	10.7	6.20[4]	184.4	10.2	11.55	107	7.00	6.5	A2	Strong competitive position and large cash resources give high ranking. Despite possible dip in 1954, earnings and dividends should hold up well.
U. S. Plywood	116.2[9]	5.0	3.33[9]	107.6[8]	5.5	3.54[8]	23	1.40	6.0	B2	Although strong growth trend places company in good position, competition is increasing and profits narrowing. Net and dividends about same as 1952.
Walworth	21.3[6]	1.2	.20[6]	47.8	3.4	1.21	7	.30	4.2	C3	Burdensome costs pose problem for foundry operations and retard earnings improvement. Net indicated trifle lower and dividend may be reduced.
Yale & Towne W	51.9[4]	2.6	2.21[4]	89.0	3.3	4.77	35	2.00	5.7	B2	Enlarged facilities contributing to increased volume and better margins, but keener competition looms. Gain in earnings amply covers $2.50 rate.

(d)—Deficits.
1—12 months ended June 30.
2—6 months ended April 30.
3—Year ended October 31.
4—6 months ended June 30.
5—6 months ended May 31.
6—9 months ended May 31.
7—Year ended August 31.
8—Year ended April 30, 1952.
9—Year ended April 30, 1953.
10—Quarter ended March 31.



What's Ahead for... Machinery and Machine Tools?

By GEORGE W. MATHIS

Now that the flow of defense orders, sparked by the Korean outbreak, to both the machinery and machine tool makers has long since passed the peak, this homogenous group of manufacturers making up this dual industry is beginning to do some thinking about what conditions will prevail for them in the coming year.

The pattern for 1953 is pretty well established. Most of the members of the group will probably show earnings for the current year that will compare favorably with 1952 results, with some doing even better than last year. The outlook for 1954, however, is not so clear and the industry as a whole, seeing its order backlog receding, is about in the same mental state as the boy who, seeing his dish of pudding diminishing under his onslaughts, begins to wonder whether there is any more where that came from. For example, the backlog for the machine tool makers is now down to about seven months' output. This compares to the Korean peak in September, 1951, when the backlog represented about 22 months. Distribution of current business, however, is uneven. Some of the machine tool builders, especially those turning out heavy equipment—the elephant tools—requiring months or more to complete should continue to operate at or close to capacity for many months to come. On the other hand, most machine tool makers long ago returned to normal, so far as deliveries are concerned and can use additional business.

This is in contrast to the general situation in the industry following the outbreak of war in Korea. The order backlog, standing at an index of 98.8 at the end of the 1950 first quarter, increased to 113.1 in the June quarter of that year. From then on, new orders poured in at such a rate as to flood the industry, the backlog rising to a crest of 560.4 average in the first quarter of 1951.

The urgency of the defense program put tremendous presure on the machine tool industry. Productive capacity was stepped-up to the point where monthly shipments during 1952 were as high as $100 million, in contrast to an average of $20.7 million in each month in 1949. For all of 1952, the industry's shpments reached $1,125 million, compared with $305.5 million in 1950 and $249.1 million in the year preceding that. The industry, cooperating with the Government, in the interest of national security put forth Herculean efforts to produce. It whittled down the backlog in short order, but to again employ our simile, the order bowl is far from empty.

The Backlog and Replacements

A current backlog of approximately 272.8, as of June, this year, compared with pre-Korea 1950 first quarter average of 98.8 can't be construed as poor business. Of course, this current volume isn't anything like that on the books at this time a year ago. Unless more of war's alarums are sounded it is not likely that the backlog will again approach that level and in recognition of this fact the industry would be happy to see machine tool orders for civilian products manufacture to flow at a rate that would hold the backlog up to the present figure. There are two factors that are expected to furnish the impetus to

Leading Machinery Equipment and Machine Tools

	First Half 1953 Net Sales (Millions)	Net Margin	Net Per Share	1952 Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Amer. Mach. & Fdry.	$ 31.7[6]	3.1%	$ .48[6]	$100.2	4.1%	$2.03	21	$1.00[5]	4.7%	C2	Estimate 1953 earnings will run slightly ahead of 1952 results, again providing good dividend coverage.
Blaw-Knox	57.6	3.4	1.40	170.1	2.4	2.97	18	1.20	6.6	B2	Likely to duplicate last year's $2.97 a share in 1953. Current dividend rate should hold through this year.
Bliss, E. W.	34.1	4.0	1.65	53.1	6.7	4.32	14	1.00[5]	7.1	C3	Results this year may show drop from good 1952 net. Conservative dividend, however, should be maintained.
Bucyrus-Erie	23.1[6]	5.6	.83[6]	78.5	6.4	3.12	25	2.00	8.0	C2	Earnings for 1953 should make favorable comparison with 1952's $3.12 a share. Dividend should hold.
Buffalo Forge	15.2[3]	5.5	2.59[3]	27.8[2]	6.9	5.94[2]	50	4.00	8.0	C2	1953 earnings may not come up to last year's showing, but current annual dividend rate should hold through the year.
Bullard	17.0[6]	4.8	1.49[6]	57.1	4.3	4.44	21	2.00	9.5	C2	Operating at high rate and should be able to repeat 1952 net per share, providing good coverage for current dividend.
Caterpillar Tractor	236.1	4.9	2.91	477.5	4.6	5.52	51	2.50[5]	4.9	B2	Earnings this year may fall short of matching the $5.52 a share shown for 1952, but dividend needs should be covered twice-over.
Chicago Pneumatic Tool	13.7[6]	9.1	2.57[6]	54.8	9.7	11.18	51	4.00	7.8	B3	Not likely to duplicate 1952 earnings record in 1953. Dividend conservative in relation to net, and is secure.
Cincinnati Mill. Mach. W	75.9	n.a.	6.61[4]	128.6	7.5	11.14	47	3.00	6.3	B1	Earnings records set in 1952 may be surpassed in current year. Expansion program may hold dividend to current rate.
Ex-Cell-O W	49.5[3]	5.4	3.49[3]	88.9[2]	6.4	7.42[2]	48	2.00[5]	4.1	B2	1953 earnings should approach 1952 level. Dividend on sound basis.
Fairbanks Morse	56.3	3.3	1.55	117.8	3.9	3.84	24	2.00	8.3	B3	Some recession in 1953 net looked for. Coverage for current annual dividend rate should be ample.
Foster Wheeler	68.0	1.4	1.76	109.0	.07	1.36	16	......	......	C2	Has an erratic earnings record. May better 1952 net of $1.36 a share this year, but not likely to go on dividend basis.
Gardner-Denver Co.	17.1	7.7	1.94	34.0	8.1	4.07	25	2.00	8.0	C2	First half-year net indicates 1953 duplication of 1952 earnings, with wide dividend coverage.
Greenfield Tap & Die	9.4	4.9	1.87	18.5	4.5	3.37	20	2.00	10.0	C2	Could better 1952 net of $3.37 a share, providing good coverage for dividend.
Ingersoll Rand W	38.8[6]	12.4	2.39[6]	161.0	12.6	10.08	89	6.00	6.7	B2	1953 results may not match 1952's $10.08 a share, but dividend needs for this good quality stock should be widely covered.
Joy Mfg.	38.8	5.7	2.49	78.8[1]	6.1	5.41[1]	34	3.12	9.1	B2	1953 should prove another profitable year. Quarterly dividends of 62½ cents a share likely to be augmented by year-end extra.
Link Belt	33.6[6]	5.5	1.12[6]	126.5	6.3	4.82	41	3.00	7.3	B2	Appears in good position to maintain earnings at high level, enabling it to extend its long record of continuous dividends.
Mesta Machine	24.8	n.a.	n.a.	41.1	6.6	2.71	31	2.50	8.0	B3	Sales and earnings in downtrend, although 1952 operations hampered by steel strike. Current dividend rate should hold through 1953.

n.a.—Not available.
[1]—Year ended September 30.
[2]—Year ended November 30.
[3]—6 mos. ended May 31.
[4]—24 weeks ended June 30.
[5]—Plus stock.
[6]—Quarter ending March 31.
[7]—24 weeks ended June 20, 1953.

maintaining this flow. One of these is the necessity for replacing tools now in use that have worn out or become obsolete. The machine tool is a durable mechanism, built to do precision work holding, in many instances, to tolerances as close as 1/10,000ths of an inch. When they fail to hold to whatever tolerance is expected of them, whether it is 1/500ths or more, they have passed their stage of usefulness and must be replaced. This, undoubtedly, applies to the greater portion of machines bought during World War II.

On the other hand, machine tool obsolescence is not determined by wear or age. As expressed by the National Machine Tool Builders' Association: "advances in the art of cutting and forging metal come at such a rapid pace that any machine over 7 or 8 years old should be checked to see whether it can be replaced at a profit." In the last 10 years revolutionary advances have been made in metal cutting. Research, experimentation and design changes have been continuous. The fruits of these activities have been translated into new tools and attachments, new cutting methods, and even entirely new types of machines.

The industry believes that these improvements will, of themselves, create a demand that will hold the machine tool order backlog at a comparatively high level for some time to come. New and improved machine tools capable of doing more and better work will aid in cutting costs and turn out better products, vital accomplishments for the machine tool user, if he hopes to maintain his sales volume and realize a profit under the keener competition which all industry anticipates if not immediately, then eventually.

Defense Orders a Large Factor

At the same time, the machine tool people are waiting to see what course the Government takes in regards to first, revision of the so-called "D" list of critical machine tools under review by the NPA for the purpose of deciding what items are more critical and what are less critical than when requirements were first listed. In all likelihood, some of these items will be cancelled if not already put into production by the builder, and others will stand.

Another matter holding the attention of the machine tool industry is the outcome of the so-called Vance plan, providing, in place of building military end items, the building and installing, if possible, ready for use, the production equipment required to construct the long lead-time items needed by the armed forces should an emergency arise. This production equipment would consist, in part, of machine tools, but just how much of the $500 million, the sum proposed to carry out the plan, would go for machine tools will have to be determined. The money, if voted by Congress, would be for buildings and tooling, also.

Another important question is, how soon would orders for machine tools be placed. Secretary of Defense Wilson, in an appearance before the House Appropriations Subcommittee, gave evidence of being only half-heartedly in favor of the plan. At that time he said: "I am frank to tell you gentlemen that I do not know whether I will need all that money. I do not know exactly what machinery we will spend it for. We are not going to spend any of it unless I am sure it is going to be spent properly—and I have hold of it in the Department of Defense where I can watch it a little better." In any event, even though the plan gets through Congress—the House has already approved it—it is certain that there is not going to be a sudden rush of orders for machine tools.

Obviously, the machine tool industry, will have to get along on what defense business remains and is allowed to remain on the orderbook, looking to civilian sources for new business. At the moment, the outlook is far from discouraging. The 1953 volume is going to be under that of last year, but at that there are indications that shipments in the 12 months ending next December are going to be close to $1 billion. This, however, does not spell general prosperity for all members of the industry. As previously commented on, some of the machine tool builders are well fortified with business while others would welcome new business in order to keep their plants working at a profitable level through the balance of this year and into 1954.

Outlook for Earnings

As a result, earnings of the various machine tool manufacturers will probably show variations in trends for the current year. Cincinnati Milling Machine, for example, entered the second quarter of the current calendar year with $126 million in unfilled orders, $77 million of which represented defense business. At the rate of shipments—$37.8 million—in the three months to June 30, the backlog, without adding another dollar's worth of business, is sufficient to carry operations through the remaining months of the year and through January of next. With the relaxation of government restrictions on shipments of civilion orders, the company is now in a position to furnish definite delivery dates on such business, a development which is expected to be reflected in increased volume of civilian orders. Enlarged productive capacity has improved profit margins. For the first 24 weeks of 1953, net earnings improved to the extent that they reached $6.61 a share for the common stock. This compares with $3.77 a share in the corresponding weeks of 1952, in which year, net for the common stock totaled $11.14 a share. The most conservative estimate would justify expecting 1953 earnings to equal that figure, with the possibility that net may actually reach $12.00 a share, which would be four times current annual dividend requirements.

Monarch Machine Tool, producing several types of lathes, at the beginning of the year had a backlog amounting to $25.9 million. Since then the company has lost some defense orders, but states these cancellations were negligible and there is sufficient business on the books to keep facilities operating at capacity for the rest of the year. For the first half of 1953, Monarch reported net earnings of $2.25 a share for its capital stock, a substantial gain over the $1.36 a share in the first half of last year. Prospects are that this rate of improvement will hold throughout better part of the current six months, so that net for the full year is likely to amount to a little better than $4.00 a share, against dividend needs of $1.20 a share annual rate.

Similar trends are indicated for other companies that are properly classified as machine tool builders, particularly National Acme and Bullard, both of which can be expected to earn their dividends by wide margins. Greenfield Tap & Die, producing twist drills, reamers, and other cutting tools of a perish-

able nature should be able to show final half-year earnings about equal to the $1.87 a share realized in the first six months. This would mean a modest gain over 1952 net of $3.37 a share, again providing a comfortable margin for the $2.00 a share annual dividend rate.

General Machinery Group

Because of the heterogeneous nature of the general machinery division it is difficult to comment on the companies as a group. However, earnings for most of them ths year should compare favorably with the results they reported for 1952, with certain exceptions, although these should show current dividends covered by a satisfactory margin. The trend in sales and earnings through the balance of this year and into 1954, however, are likely to vary, depending upon the products of each of the companies in the group. For instance, Link-Belt, by reason of its production of cost-reducing mechanical power transmission and materials handling equipment, together with a wide range of other products, appears to be in a good position to maintain its record of stable earnings and dividend payments, the latter having been inaugurated 46 years ago and sustained without interruption. Fairbanks, Morse, by reason of the substantial amount of business it has done in recent years in diesel locomotives has grown in stature as a builder of these power units. At the same time it has continued to manufacture gasoline engines, electric motors, scales, and a variety of machines and appliances. While its diesel sales have diminished, it has been experiencing a good demand for the many other products. Net earnings for the current year are not expected to match 1952 results, but will undoubtedly be well in excess of the annual $2.00 a share dividend requirement.

Ex-Cell-O Corp., sometimes looked upon as a machine tool builder, has equal rank as a machinery manufacturer, especially of milk and ice cream packaging machinery. Defense contracts helped to pull 1952 net up to $7.42 a share and should be an important contributor to the showing for the fiscal year ending Oct. 31, next. The current low yield on the issue reflects investors' evaluation of Ex-Cell-O's long-term growth potentials.

Unfortunately, space limitation makes it impossible to touch upon each and every one of the companies cltssified as fachinery or machine tool manufacturers. In the accompanying tabulation, we present the latest available statistical data on companies making up both divisions of the industry, together with our comments on earnings and dividend prospects for the current year.

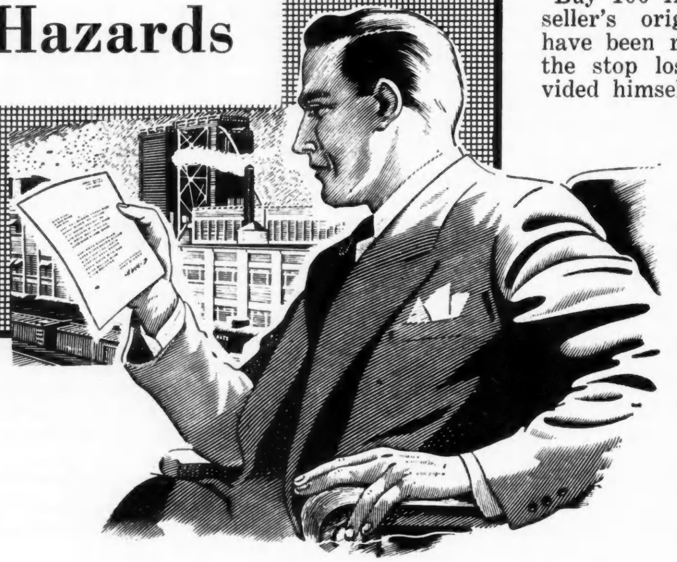
In appraising stocks under consideration in this review it should be borne in mind that many of the companies, although classified as machinery builders or machine tool makers, are actually in divergent lines. Because of diversification of products, particularly in the machinery division, some of the group are less susceptible to cyclical changes that make for such erratic earnings records for others in times of normal general business conditions. These and other factors, such as financial strength and growth potentials, should be carefully evaluated.

Leading Machinery Equipment and Machine Tools (Continued)

	First Half 1953			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Monarch Machine Tool	16.1	5.9	2.25	26.1	5.6	3.53	17	1.20	7.0	C2	Shows promise of having another good year in 1953, with net amply protecting comparatively modest annual dividend.
National Acme	n.a.	n.a.	3.25	39.9	6.9	5.53	33	3.00	9.1	C2	Net for 1953 will probably approach 1952's $5 53 a share, auguring extra dividend to the regular $2 annual rate.
Niles-Bement Pond	n.a	n.a.	n.a.	78.6	5.7	5.20	16	1.75	10.9	C2	Likely to come close to duplicating 1952 record net this year. Current 35c quarterly dividend may be augmented by another extra.
United Eng. & Fdry.	39.9	5.1	.82	85.0	4.4	1.51	13	1.00	7.7	B3	Some contraction in 1953 net likely, although earnings should justify continuing current dividend through balance of year.
Van Norman	14.4	n.a.	1.73[7]	28.6	3.7	2.93	14	1.40	10.0	C2	1953 net should parallel $2.93 a share for 1952. Maintenance of 35c quarterly dividend through 1953 likely.
Worthington Corp.	n.a.	n.a.	2.70	133.7	4.5	5.40	30	2.50	8.3	B2	1953 probably will be another good year with net matching 1952's $5.40 a share. Extra dividend possible, augmenting 50c quarterly rate.

n.a.—Not available.
1—Year ended September 30.
2—Year ended November 30.
3—6 mos. ended May 31.
4—24 weeks ended June 30.
5—Plus stock.
6—Quarter ending March 31.
7—24 weeks ended June 20, 1953.

3 Professional Methods Against Market Hazards



By

JAMES CURTIS

Experienced investors and speculators in the stock market find it necesary or desirable, at times, to utilize one or all of three technical market devices for the purpose of protecting their positions. Only two of these devices may properly be classified as technical. These are "puts and calls" and "stop loss orders". The third—"stock warrants"— is not, in the true sense, a technical device, but a special means through which a speculator hopes to realize a high percentage profit, although warrants can be used as a hedge against the sale of a stock in the company issuing the warrants.

One of the devices in the group frequently resorted to is the stop loss order. It is employed by the market speculator as either a buy order if he is holding a "short" position in a particular issue, or as a sell order if he is "long" of the issue.

A stop loss order on the "buy" side will be resorted to either to safeguard a paper profit on the "short" side, or to limit loss should the market go against the seller. To illustrate: A person believes that possibly 10 points profit might be made within a reasonable period of time by selling say, XYZ stock, now selling at 40. What he proopses to do is to sell 100 shares of the issue, which he does not own, but which under common brokerage practice can be borrowed through his broker's facilities. The order to sell must be distinctly identified as a short sale. The broker by regulation strictly enforced by the stock exchanges, must execute the order either at 40⅛, provided the last sale was at 40, or at 40, if the next sale after receipt of the order on the floor was at say, 39⅞. In other words, an order to sell short must be executed at a price one-eighth higher than the last sale in that particular stock.

The seller, upon execution of the order, now short 100 shares of stock, wants to maintain his position, but to protect himself against too great a loss should the market go against him, invokes the stop loss order. His procedure is to enter an order reading, for example: "Buy 100 XYZ @ 42 stop". The seller's original judgment may have been right, but by entering the stop loss order he has provided himself with a form of insurance that limits his loss, should he be proved wrong, to $200 plus the usual brokerage fees in connection with the transaction.

Or, suppose the stock declines to 34, at which level, the sellers sees signs of a possible reversal of the downtrend. Here again, he is still willing to maintain his "short" position. However, he wants to throw some protection around his profits and accordingly enters an order as follows: "Buy 100 XYZ at 37 stop". Should the stock move up to that price, the stop loss order becomes a market order and is executed. The seller is now out of his short position with a gross profit of $300.

A stop loss order to sell is usually employed by a holder of a stock that has moved up from the purchase price for the purpose of protecting a profit in the event of a reaction. For example, a stock bought at 50 moves up to 78. The purchaser believes that the advance will continue, possibly to 85, but realizes he might be wrong in this belief. As a measure of protection, he too, invokes the stop loss order by placing instructions to "Sell 100 ABC @ 70 stop". In this particular instance, he is endeavoring to safeguard at least 20 points profit, figuring that if the stock breaks 70 on the downside, its further decline might be too rapid for him to take prompt enough action to dispose of his shares.

Something to Consider

Unlike the limit order, restricting the buying or selling at a stipulated price, a stop loss order to sell immediately becomes a market order when the stock involved sells at or below the stipulated price. A stop loss order to buy also becomes a market order when the stock sells at or above the stop loss price. When employing the stop loss order, judgment should be exercised for allowance of normal price fluctuations. No one can hope to buy a stock at its

absolute market low before an advance, or take a short position at the peak price. There would be no advantage in placing a stop loss order at one or two points away from the market, unless one has decided to balance out a commitment immediately if a move in the stock did not quickly materialize.

"Puts and Calls"

The second technical device, "puts" and "calls", serve to protect a profit, insure against loss, or as a media of speculation on either side of the market. Puts and calls are essentially option contracts. They are paid for in advance and give the holder the right to buy—in the case of a "call" contract—or to sell—under a "put" contract—specified number of shares, usually 100, at a fixed price, which normally is the market price at the time the contract is made, at any time within the life of the contract. Usually put or call options have a life of 30, 60, 90 days, or 6 months, the time period as well as current market price of the stock involved being factors in determining the premium the option buyer is asked to pay. For instance, a call option, good for 60 days, on 100 shares of XYZ stock, currently selling at 99, would cost approximately $350.

A hypothetical transaction will illustrate, we believe, how such a call option might be used as a protective device. On the belief that XYZ at 99 is selling too high, a speculator goes short of 100 shares. He then protects his commitment with a call contract at 99 for 60 days at a cost of $350.00. Should the market go against him and XYZ moves up to 110 within the 60 day period, he can cover his short position by calling for stock at 99 under his put option, thus limiting his loss to the cost of the call option, plus commssion, instead of incurring an actual market loss of $1,000.00.

Reverse the process. Suppose one is long 100 XYZ currently selling at 70, showing 20 points profit. The holder, desiring to maintain his position, though he is fearful of a possible temporary decline, resorts to a put option at 70 for 90 days at a cost of $350.00. Through this option he is in possession of the right, regardless of how far the stock should decline in the 90 days period, to deliver his stock at 70 to the maker of the put contract, thus realizing his 20 points profit, less the cost of the insurance afforded by the option. On the other hand, should the decline not materialize and XYZ continues to advance in price, he can then liquidate his holdings at the higher price, the difference in the increased profit probably more than offsetting the $350.00 premium for the protection.

Another type of option is the straddle. A straddle option is a combination of a put and a call, both at the same price. The buyer of such a contract is given the right to deliver to the maker or call from him, or both, a certain amount of stock in a specified period of time at a stipulated price. To illustrate: the contract provides for the put (sale) of 100 shares PDQ stock, or call (purchase) of an equal amount of the same issue at a price of say, 75, at any time during a 90-day period. Such combination options might prove of considerable value should tne market in PDQ react sharply from the 75 level permitting the exercise of the put option on the decline, and then as sharply reverse its movement, carrying the issue to a level where it would be profitable to exercise the call option.

Some traders buy options in lieu of making actual commitments in the stock market. They proceed on the theory that they can acquire, through a call (purchase) option an interest in a stock, with less capital outlay than is required by outright or marginal purchase, or the amount required of him if he was to make an actual short sale. For example, by paying a fee of $137.50, he would be given the right to purchase at any time within the next 120 days, 100 shares of ABC stock, currently selling around 14½. Should the price of the issue advance he could exercise his option at any time within the 120 day period, and whatever profit he made would be the difference between his selling price and the cost of the contract. The same method could be followed on the down side by the use of put options. For instance, a speculator believes that XYZ, currently selling at 38, is likely to sell considerably lower within the coming six months. He buys a put option contract at 38, good for that period of time, for $137.50. Should the stock decline from the 38 mark, the buyer of the option decides to exercise the contract at, say, 30, that being the market price at the time, giving him a profit of $800, less the cost of the option, brokerage fees and taxes.

As already pointed out, premiums for both put and call option contracts vary. The price of an option is determined by the price of the stock in question, its activity in the market, and the length of time over which the option contract is to run. An option contract on a stock selling at 20 would not cost as much as an option on a stock selling at 70. Neither would a 60 day option demand as high a premium as would one that was to extend over six months. An important feature of these option contracts is the time element which is of less value in a slow-moving issue compared to one that is comparatively volatile, marketwise.

Stock Warrants

Stock purchase option warrants, which should not be confused with stock rights, are issued by some companies allowing purchase of their common stock at specified prices over a specified period of time or, in some cases, without time lmit. Such stock warrants are outright (*Please turn to page* 631)

A List of Warrants and Their Provisions

	War. to Pur. No. of Com. Shares	At Price per Share	Expiration Date	—Recent Price— Warrant	Stock
ACF-Brill Motors*	1	$15.00	12-31-54	⅜	4⅜
Aeronca Mfg.	1	5.59	12-31-54	½	2⅜
Alleghany Corp.*	1	3.75	unlimited	2½	3⅞
Atlas Corp.*	1	25.00	unlimited	6½	29¼
Bettinger Corp.	½	5.00	7-31-55	½	3⅝
Frobisher, Ltd.	1	10.00	6-26-54	1	5½
Investment Co. of Am.	1	20.96	unlimited	2½	12¼
Jessop Steel	1	8.00[1]	12-31-54	1⅛	7¼
Merritt-Chapn. & Scott*	1.47	18.65	unlimited	10¾	24⅜
Pubco Development	1	1.00	3-31-55[2]	6	[3]
Spiegel, Inc.	1	15.00	11-30-54	2	7⅛
Tri-Continental Corp.*	1.27	17.76	unlimited	4	16
Ultrasonic Corp.	1	10.00	1-1-55	6½	15½
Universal Pictures	1	10.00	4-1-56	6½	16⅞
Ward Baking*	1	15.00	4-1-56	8¾	23½

*—American Stock Exchange.
[1]—Price to 12-31-53; $9 thereafter.
[2]—Not exercisable until 1-1-55.
[3]—No stock offered.

Financial Survey of Specialty and Unclassified Stocks

	First Half 1953			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
American Bank Note	n.a.	n.a.	$ .29	$ 1.49	5.4%	$ .83	17	$1.00	5.8%	C3	Adverse factors such as restricted security trading, smaller foreign markets, have been narrowing profit margin. Financial position strong but dividend insecure.
American Chain & Cable	......	......	......	84.4	5.1	4.09	28	2.50	8.9	C2	Highly active conditions in automobile industry favor this leading supplier. Extension of EPT has restricted profits but wide earnings margin supports $2 dividend and perhaps 50-cent extra. Cyclical industry.
American Chicle	......	......	1.69	47.8	8.5	3.16	48	2.50	5.2	A2	Bulge in earnings in first half presages another good year, with figures probably topping those of 1952. This prospect reflected by recent 25-cent extra. Dividend position entirely sound.
American News	$ 94.5	.07%	.08	202.4	1.3	3.19	33	2.50	7.5	C3	Sharp drop in earnings for first half places earnings far below $2.50 dividends paid last year. $1 extra may not be repeated.
American Safety Razor	4.5[14]	2.7	.08[14]	19.6	3.0	.41	7	.50	7.1	C3	Extreme competitive conditions with company attempting to reorganize activities. Narrow earnings margin makes continuance of 12½ cents quarterly dividend doubtful.
American Shipbuilding	13.6[2]	......	......	24.1[1]	4.4	9.74[1]	54	4.00	7.4	C3	Earnings for the fiscal year ended June 3, 1953 probably well below those of $9.74 a share last year. However, $4 dividend buttressed by strong financial position.
Archer-Daniels-Midland	174.9[2]	1.8	1.97[2]	230.5[1]	3.2	4.51[1]	36	2.80	7.7	B3	Uncertain conditions in some of company's major products have contributed to decline in earnings. May earn $3 a share compared with $4.51 year previous. Dividends should be maintained, nevertheless.
Avco Mfg.	219.4[5]	1.5	.35[5]	326.5[3]	3.3	1.20[3]	7	.60	8.5	C3	Substantial gain in sales first half of year but net lower, owing to higher costs. Earnings not likely to equal $1.20 a share in 1952. The 15-cent quarterly dividend can be maintained temporarily.
Babcock & Wilcox	131.8	3.9	3.51	218.7	3.9	5.86	38	2.00[12]	5.2	B1	Record sales indicated for 1953, with net substantially higher than $5.86 a share reported for 1952. Wide coverage over 50-cent quarterly dividend may mean another stock dividend.
C. I. T. Financial	2,289.5[4]	n.a.	1.70	4,019.2[4]	......	3.08	26	1.80	6.9	A2	1953 earnings will probably equal the $3.08 a share (adjusted for split-up) in 1952. Future automobile financing in some doubt that substantial backlog of unearned income should maintain fundamentally strong position. Dividends secure.
Commercial Credit	1,686.2[4]	n.a.	2.51	2,907.5[4]	......	4.34	32	2.40	7.5	A2	Earnings this year likely to equal or better good 1952 results. Solid base for comparatively modest dividend.
Crown Cork & Seal	49.6	8.4	.12	104.6	8.2	.26	12	......	......	C3	First half showing disappointing considering product price rise. Prospects for dividend resumption dim.
Diamond Match	......	......	1.47	96.1	4.3	3.20	35	2.00	5.7	A2	Earnings for current year should compare favorably with $3.20 a share earned in 1952. Dividend should be maintained.
Eastman Kodak	133.8[15]	7.4	.59[15]	575.0	7.9	2.74	42	1.80[12]	4.3	A2	Modest improvement in 1953 net likely. Current dividend rate solidly based for this good-grade stock.
Froedtert Corp.	19.9[7]	3.4	.68[7]	29.8[6]	5.5	1.58[6]	10	.70	7.0	C3	Earnings downtrend has brought dividend down to 15 cents a share quarterly. Should hold this rate through balance of year.
Gamewell Co.	22.6[13]	5.7	3.63[13]	21.3[8]	6.0	3.52[8]	23	1.80	7.8	B2	Has stable earnings record over past 6 years which should be extended in fiscal year just started. Dividend secure.
General Dynamics	......	......	......	134.5	3.6	5.72	33	3.00	9.0	B2	Heavy defense backlog should hold 1953 net up to last year's level. Could increase or pay extra dividend.

n.a.—Not available.
1—Year ended June 30.
2—9 months ended March 31.
3—Year ended November 30.
4—Includes all divisions of gross revenues.
5—6 months ended May 31.
6—Year ended July 31.
7—9 months ended April30.
8—Year ended May 31, 1952.
9—Year ended October 31.
10—Quarter ended May 31.
11—Year ended February 28, 1953.
12—Plus stock.
13—Year ended May 31, 1953.
14—Quarter ended March 31.
15—12 weeks ended March 22.
16—Estimated.

Financial Survey of Specialty and Unclassified Stocks (Continued)

	First Half 1953 Net Sales (Millions)	First Half 1953 Net Margin	First Half 1953 Net Per Share	1952 Net Sales (Millions)	1952 Net Margin	1952 Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
General Time	$ 22.7	4.1%	$2.02	$ 38.0	5.0%	$4.08	30	$2.00	6.6%	B2	1953 net likely to duplicate last year's satisfactory results. Could increase dividend or pay year-end extra.
Gillette Co.	....	......	2.06	120.4	12.2	3.33	40	2.50	6.2	B1	Diversification and aggressive sales promotion continues to boost earnings. Current dividend rate on sound basis.
Glidden Co.	102.0	3.0	1.36	205.1[9]	3.3	3.04[9]	32	2.00	6.2	B2	First half-year earnings uptrend indicates gain over 1952 fiscal year net of $3.04 a share. Current dividend solidly based.
Grace (W. R.) & Co.	....	......	1.35[16]	284.1	2.7	2.65	27	1.60	5.9	B2	1953 earnings expected to duplicate $2.65 a share earned in 1952. Expansion plans likely to hold dividend to current $1.60 annually.
International Salt	10.1	10.1	2.14	21.9	10.8	4.96	42	2.00	4.7	B2	Slight recession in 1953 earnings a possibility, but final results should equal twice modest $2.00 annual dividend rate.
Life Savers	8.7	11.2	1.42	18.4	11.4	3.06	36	2.20	6.1	B2	Profit margins cut by increased sales promotion activities. Indicated 1953 net, however, should provide ample dividend coverage.
Lionel Corp.	7.3[10]	7.4	.76[10]	28.1[11]	5.5	2.17[11]	23	1.25	5.4	C2	Good first 1953-54 quarter encourages expectation that current fiscal year will match last year's results. Dividend should hold.
Minnesota Min. & Mfg.	51.0[14]	8.5	.53[14]	185.2	8.7	1.96	48	1.00	2.1	A1	Further earnings gain indicated for this growth stock during current year. Conservative dividend well fortified.
National Lead	217.9	6.3	1.16	358.0	6.3	2.06	33	1.60	4.8	A2	1953 net will probably match 1952 earnings, providing ample dividend coverage for this growth issue.
Nopco Chemical	10.2	4.4	.98	18.0	4.6	1.67	17	1.20	7.0	B2	First half-year net reflects upturn in chemicals, presaging comparatively good gain in 1953 net. Dividend secure.
Scovill Mfg.	67.9	3.3	1.65	94.2	3.6	2.37	28	2.00	7.1	B1	1953 operations, unhampered by labor troubles as in 1952, expected to lift earnings close to twice current dividend needs.
Sheaffer (W. A.) Pen	5.3[10]	7.7	.50[10]	23.1[11]	8.3	2.35[11]	25	1.40	5.6	C3	Has shown 3-year earnings downtrend from operations in highly competitive field. 1953 dividend needs, however, should be covered.
Simmons Co.	75.6	4.1	2.46	157.5	3.8	4.79	30	2.00	6.6	C2	First half-year net exceeded full year's dividend needs. Will probably show good gain over 1952 net of $4.79 a share.
Starrett (L. S.) Co.	14.1[1]	n.a.	n.a.	12.6[1]	7.1	6.13[1]	44	3.25	7.3	B2	Fiscal 1953 profits are estimated to be moderately higher than last year. Management's confidence is reflected by June declaration of $1.00 compared with 75 cents in March.
Stone & Webster	11.8	25.4	1.42	24.8	24.8	2.93	24	2.00	8.3	B2	Revenues dipped slightly but earnings held steady in first half. New contracts outlook promising. Probable maintenance of $2.00 dividend.
United Fruit	n.a.	n.a.	2.95	n.a.	n.a.	4.32	53	3.00	5.6	B2	Despite some adverse Central American conditions first half net showed good gain. In view of uncertainties, dividends are likely to be limited to $3.00.
Visking Corp.	19.0	7.6	2.31	32.7	7.7	4.04	44	2.00	4.5	B2	Continued moderate expansion and excellent 6 months earnings gains suggests eventual dividend increase or year-end extra.
White (S. S.) Dental Mfg.	10.9	4.0	1.20	21.3	3.8	2.31	26	1.50	5.0	C2	Modest increase in sales and earnings in recent quarters assures comfortable margin for the current $1.50 annual payment.
Wrigley (Wm.) Jr. & Co.	39.6	14.7	2.96	76.1	11.4	4.41	73	4.00	5.4	B2	While reporting increased 6 months earnings gain, margin of coverage over the $4.00 dividend has tended to narrow. Company strong financially.

n.a.—Not available.
1—Year ended June 30.
2—9 months ended March 31.
3—Year ended November 30.
4—Includes all divisions of gross revenues.
5—6 months ended May 31.
6—Year ended July 31.
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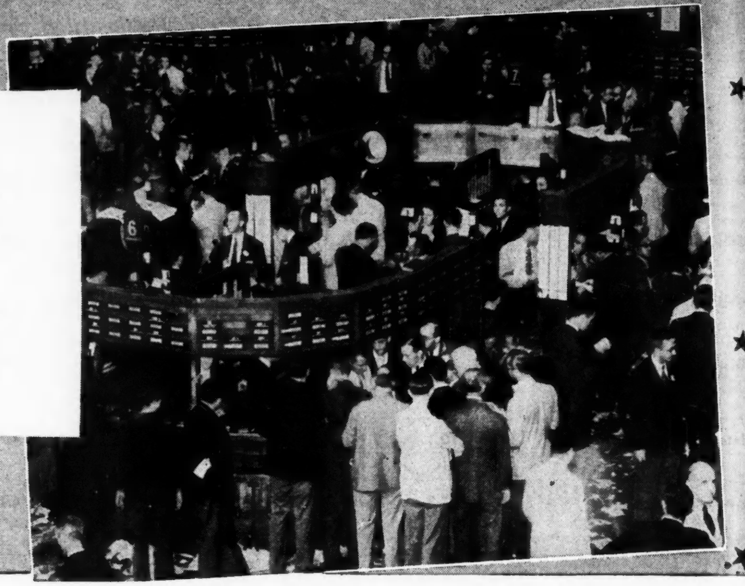
FOR PROFIT AND INCOME



Gimmick

For what it may be worth, the market has rarely bettered August highs in the average in September, except when strength was well maintained through or until near the close of August. Hence, the thus far comparatively sluggish 1953 summer upturn in stock prices will bear some immediate watching around the time you read these jottings. There is no upward seasonal bias in September. Nor has there been any strongly pronounced downward bias, although net declines for the month have exceeded net advances. Over the entire history of the Dow average there were 26 September ups and 29 downs for the industrial average, 23 ups and 32 downs for the rail average. The 1929-1932 and 1937-1938 bear markets took pronounced form, although they did not start, in September.

Groups

The only stock groups recently able to record new highs for 1953 or longer are bus lines, food stores, and tobaccos. Among those holding fairly near their 1953 highs are baking, communcation, dairy products, and food brands. Aided by continuing bond-market firmness, utilities have extended their recovery, reaching the best level in over three months. In general, investors are showing preference for stocks in relatively stable industries, despite the usual special-situation exceptions; and a continued marked distrust of around-the-corner prospects of heavy-industry, consumer-durable-goods and war-baby stocks.

Strong

Although their total number is relatively small, compared with the market as a whole, nevertheless more individual stocks have recently attained new highs for this year or longer than in some time. Among the more prominent issues doing so have been American Tobacco, General Foods, Halliburton, National Lead, Reynolds Tobacco, Shell Oil, Safeway Stores, Ohio Oil, Aluminum Company, Hiram Walker, Scott Paper, Liggett & Myers, Seaboard Oil, Rohm & Haas, and Sutherland Paper. In quality these issues range mostly, though not entirely, from upper-medium to good grade.

Hesitation

It is hard to see a basis for even medium-broad general movement up or down in the market until investors discover whether the long-heralded business recession is about as moderate as the market has been allowing for in price-earnings ratios and dividend yields which have set a record for bull-market conservatism, or whether it is milder than or more severe than people now expect. Which it is to be remains the $64 question, since there has so far been but a small start on recession in production, new orders and order backlogs. Never before have boom earnings and dividends enthused investors and speculators less. No doubt the average investor has more confidence in the policies, intentions and leanings of the Eisenhower Adminstration than he had in those of the Roosevelt New Deal —yet price-earnings ratios on representative industrial stocks today are more than 40% below

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Consolidated Edison Co., N. Y.	12 mos. June 30	$2.97	$2.39
Continental Baking Co.	26 weeks June 27	2.12	.82
Mathieson Chemical Corp.	June 30 Quar.	.80	.70
Erie R. R.	6 mos. June 30	2.40	1.72
Minn. Honeywell Regulator	June 30 Quar.	.86	.56
Republic Aviation Corp.	6 mos. June 30	3.38	2.37
Corning Glass Works	24 weeks June 21	2.50	1.68
Boeing Airplane Co.	6 mos. June 30	5.65	3.62
N. Y. Central R.R.	6 mos. June 30	2.59	.28
Cluett Peabody & Co.	6 mos. June 30	2.34	1.08

those at the 1937 peak of the last previous peacetime bull market, dividend yields over 40% above those at that time. What price political confidence?

Examples

Chrysler at this writing is selling around 73 on probable 1953 earnings in the vicinity of $9 a share and a $6 dividend. It reached 67⅝ in 1937 on earnings of $5.83 a share and $5 in dividends. Kennecott Copper is around 64 on current earning power close to $8 a share and a $6 dividend. It reached 69⅜ in 1937 on earnings of $4.60 a share and $3.50 in dividends. At 72, General Electric is only 7 points above its 1937 high, on earnings of over $5 a share and a $3.00 dividend, against earnings and dividends of $2.20 in 1937. U.S. Steel is at 39 on probable 1953 earnings around $6 or more a share and a $3 dividend. It reached 42 in 1937 on earnings of $2.67 a share and a dividend of 33 cents. Similar examples of "unenthusiasm" are innumerable. In fact, many more glaring examples could be cited among secondary and highly speculative stocks. This does not mean, of course that this is a good time to buy stocks. It merely means that, if stocks are over-valued, they are far less so than at the 1937 high, or at other past bull-market highs. If they had not been largely over-hauled at the 1937 high, they would not have fallen out of bed in the bear market which began in March, 1937, and ran for 12 months or so.

Bear Markets

How bad is a bear market? You might as well ask: How bad is a storm? It can be anything from a nuisance to a calamity. So the term bear market is too broad to have any precise meaning, except a downward trend of stock prices of more or less important proportions. The big bear market of 1929-1932 took the Dow industrial average down 89%. That of 1937-1938 ran to 49% in 12 months. The long 1939-1942 bear market had a 40% limit. On the other hand, the average declined only about 23% in the 1946-1947 bear market and only some 16% in that of 1948-1949. If we are now in a bear market, the initial phase, from last January's high to the June low, amounted to 10.5%. Assuming a bear market (not yet proven) a reasonable guess-estimate of its scope might be something like 20% to 30%, with a half to a third of this seen at the June low. Your chances of selling at the high of any bull market and buying back at the subsequent low are very slight. Hence, the leeway for a turn-around in any bear market of other than major proportions are a good deal narrower than many imagine.

Dividends

Total dividend payments on stocks listed on the Big Board set a new record in the first half of this year, gaining 4.2% over a year ago. On present indications, full-year payments probably will show at least a small gain to a new peak. They represent a substantially lower pay-cut of earnings than the 75% average considered normal before World War II; and, therefore, are generally better protected than in the past. In July 107 companies increased dividends or paid extras, against 81 a year ago; while 10 reduced or omitted dividends, against 23 in July, 1952.

Contrast

Aluminum stocks are in vogue, copper stocks out of vogue. The former are at advanced levels, the latter have declined very sharply from earlier highs. There is no doubt that for the presently fore-seeable future sales and price-trend factors are more favorable for aluminum than for copper, but the difference is widely allowed for in market prices. Tempted to reach for favored stocks and to sell unpopular stocks, many investors give too little weight to price as an equalizing factor. We would be more inclined to hold Phelps, Dodge; Kennecott and Anaconda, and to make averaging-down purchases when they show signs of market stabilization, than to sell now. They have gone a long way toward discounting expected profit shrinkage and possible reduced dividends. All three of these companies have strong finances, and are here to stay. Like others, they have their ups and downs. Fluctuation in copper prices, and in prices of the stocks, has always run to extreme which are in due time corrected.

Boom

Many of us can remember when an electrified home had lighting and perhaps a toaster. Compare that with the fully, or largely, electrified home today. Lights, toaster, vacuum cleaner, refrigerator, food mixer, perhaps a food freezer, washing machine, one or more radios, a television set, perhaps an electric sewing machine, electrically controlled furnace, perhaps an electric range, maybe a sun lamp, maybe at least one power tool in papa's work shop, perhaps an air-conditioning unit. The utility business is booming, partly because of the vast increase in new homes since the war, each with lighting and various appliances; partly because of two new "spacies" of appliances: television and air conditioning. Both are adding importantly to power demand, and will increasingly alter the previous seasonal pattern by boosting summertime consumption of electricity. Electric power output is running 14% above a year ago. Regardless of fluctuation in the low-rate industrial load, the more profitable residential load can only go upward as far ahead as anyone can now see. Because of rate regulation, there can be no profit bonanza in this business—but earnings and dividends are trending gradually upward. For

(*Please turn to page* 631)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Elliott Co.	6 mos. June 30	$2.23	$3.10
Moore-McCormack Lines	6 mos. June 30	1.04	2.74
Walworth Co.	6 mos. June 30	.20	.57
Nash-Kelvinator Corp.	June 30 Quar.	.79	1.64
Island Creek Coal	6 mos. June 30	.48	1.38
Studebaker Corp.	6 mos. June 30	1.00	3.73
Parke, Davis & Co.	6 mos. June 30	.88	2.00
Reliable Stores	June 30 Quar.	.82	1.26
ACF-Brill Motors Co.	6 mos. June 30	.51	1.24
General Baking Co.	6 mos. June 27	.15	.46

The BUSINESS ANALYST

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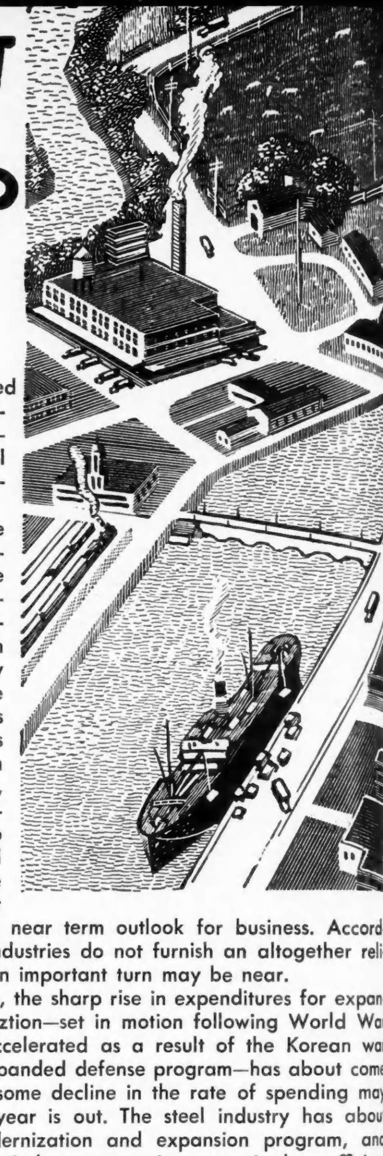
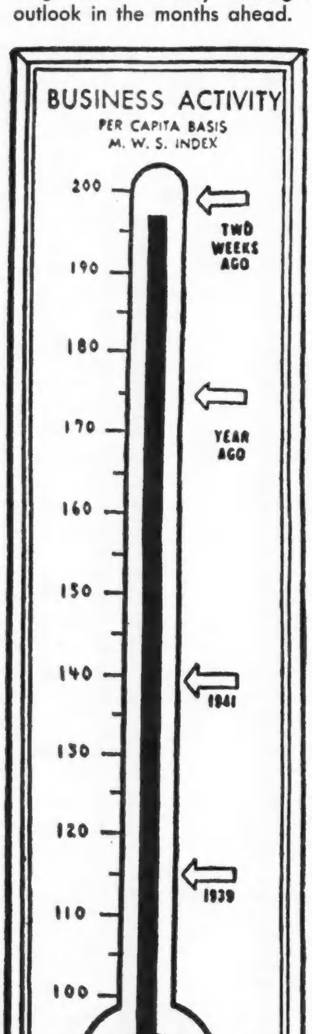
What's Ahead for Business?



By E. K. A.

Estimates of capital expenditures for new plant and equipment, currently estimated at $27.0 billion as against $26.5 billion last year, may have to be pared down slightly in the light of the impact of the Korean truce. There now can be no doubt that the end of the war in Korea has tended to heighten the already existing uncertainties over the business outlook in the months ahead.



Although no cutbacks in expenditures have been announced, it is only natural to suppose that industry is taking a fresh look at its expansion programs and may be considering eliminating some of the "border line" expenditures that were included in its plans earlier this year when optimism was running higher than now.

Estimates of first quarter capital expenditures, based to a considerable extent upon factual data, now are 6 percent lower than indicated earlier this year. This is not a serious drop, since the level of industrial spending remains very high. However, it definitely suggests the possibility, particularly in view of the increased caution evident among business men rather generally, that capital expenditures this year may fall slightly below last year's record high total rather than establish a new record high.

Since expansion and modernization programs inevitably require a considerable amount of advance planning, the effect of the increased conservatism among industrialists is much more likely to be reflected in the level of expenditures during the early part of next year rather than the latter part of this year. Advance indications already had pointed to a slowing down toward the end of this year. The extent to which present tentative schedules for expansion and modernization in 1954 are carried through is dependent to a certain degree upon how well business is maintained this Fall.

Most of the large industrial organizations tend to make their plans for expansion and modernization years in advance, and carry through with these almost regardless of general business conditions. Medium and small industries, less adequately financed, tend to gear their capital expenditures more closely to current conditions and the near term outlook for business. Accordingly, the larger industries do not furnish an altogether reliable guide when an important turn may be near.

In manufacturing, the sharp rise in expenditures for expansion and moderniaztion—set in motion following World War II and sharpely accelerated as a result of the Korean war and the sharply expanded defense program—has about come to a halt. In fact, some decline in the rate of spending may occur before this year is out. The steel industry has about completed its modernization and expansion program, and there is talk of the industry scrapping some its less efficient plants if steel demand falls off.

In view of the difficulty that manufacturers of consumers durable goods are encountering in moving their present output of goods, there is more likelihood that expenditures will be reduced than increased. The stretching out of the defense program and the prospects for further stretching out or cancellation, if present hopes for improvement in the international situation are realized, also suggests some cutting back of capital expenditures in the durable goods industries, where defense spending has been concentrated.

In the nondurable goods industries, where demand is much less elastic than in the durable industries, manufacturers have been generally rather conservative in their expansion and modernization programs during most of the postwar period. They are geared to a slow, steady growth but tend to raise their sights in good years and lower them when the going is not so good.

The public utilities, as a result of the sharp rise in population and the rapid growth of suburban areas, are far behind in their expansion and will take years to catch up. But, the expected steady gain in capital expenditures here is unlikely to affect probable reductions in industrial spending.

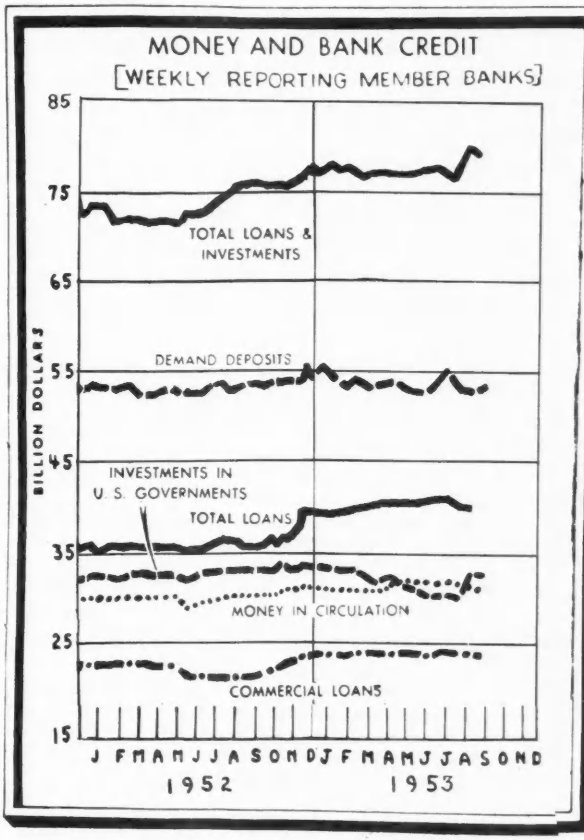
The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Firmness in the bond market has characterized the past two weeks. Treasury obligations were mostly improved and the thirty-year 3¼s pushed to a new high, closing at 100⅝ on August 10, where they were up ⅜ point in two weeks time and just about two points above the year's low. The good demand for Treasuries has persisted in the face of selling by weekly reporting member banks who have been lightening up on their holdings ever since they took on several billion dollars worth of tax-anticipation certificates in mid-July. However, such selling has been concentrated in the new certificates which command a ready market from corporations looking for a temporary investment for tax set-asides.

The Treasury is evidently not in a mood to subject the market to any undue strains and decided on a simple "roll-over" of the \$2.9 billion of 2% certificates maturing on August 15. Investors were offered a one-year certificate yielding 2⅝% for their present holdings, the same rate as the previous certificate refinancing of June 1. That offering did not fare too well with 16% of the issue having to be redeemed in cash. This time the response was a great deal better and the Treasury estimates that it will have to pay out only \$97,000,000 in cash or 3½% of the amount outstanding.

Corporate obligations continue in an uptrend and the yield of a representative average of best-grade corporate dipped to 3.22% on August 7 from 3.25% two weeks earlier. This yield index is now mid-way between the year's high of 3.44% reached on June 22 just before the Federal Reserve eased bank reserve requirements and the year's low of 2.98% made early in January. Municipals have also participated in the improvement evident in other sections of the market and the Bond Buyer's weekly index of municipal yields moved down another notch to 2.92% on August 6 from 2.95% on July 23 and the year's high of 3.09%. The smart recovery in most bond prices in the past month and a half has coincided with a lull in new financing which is expected to end next month. The Treasury will also have to refund \$8 billion of 2% bonds in September and may have to think about raising some new money if deficit spending continues high. Thus the bond market will be facing a more conclusive test of underlying demand in the weeks to come.



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TRADE—More retailers are finding difficulty in beating year-ago sales figures, although total retail sales for the week ending August 5 were some 3% ahead of the corresponding week of last year, according to estimates by Dun & Bradstreet. The best showing was made by the Pacific Coast with a 5% gain while the East was only 1% ahead of last year. Clearances of summer apparel were common and this attracted some buyers. Some household items were stimulated by special promotions but there was little interest in major appliances or television sets.

Sales of the nation's department stores in the week ending August 1 were 1% below the corresponding 1952 week. The Minneapolis district led the country with an 8% gain while the Richmond area with a 7% decline made the worst showing.

INDUSTRY—Industrial output dipped about 4% last month from June levels, according to estimates by the Federal Reserve Board, which indicates that this decline is about average for the past few years and reflects the spread of plant-wide vacations in important manufacturing industries and in coal mining.

Output appeared to be turning upward as July drew to a close and the week ending August 1 saw increased coal production and a new record for electric power, higher carloadings and improvement in paperboard output. The operating rate for the steel industry for the week ending August 8 is scheduled at 97.1% of capacity against 92.6% the previous week. A year ago at this time the steel industry was recovering rapidly from the steel strike which ended on July 26. Steel output in the week ending August 9, 1952 was at 89.8% of capacity against 42.9% the previous week.

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COMMODITIES—Average commodity prices as measured by the Bureau of Labor Statistics index of primary market prices, dipped 0.2% in the week ending Tuesday, August 4, to 110.3% of the 1947-1949 base. Farm products were

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	July	4.3	4.4	4.2	1.55
Cumulative from mid-1940	July	514.2	509.9	461.3	13.8
FEDERAL GROSS DEBT—$b	Aug. 5	272.7	272.6	262.9	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	July 29	53.4	53.3	52.8	26.1
Currency in Circulation	Aug. 5	30.1	30.0	29.0	10.7
BANK DEBITS—(rb3)**					
New York City—$b	June	52.4	51.3	49.4	16.1
344 Other Centers—$b	June	96.6	95.1	85.6	29.0
PERSONAL INCOMES—$b (cd2)	June	285.9	284.7	268.1	102
Salaries and Wages	June	196	194	178	66
Proprietors' Incomes	June	50	50	52	23
Interest and Dividends	June	22	22	21	10
Transfer Payments	June	14	14	13	3
(INCOME FROM AGRICULTURE)	June	17	18	21	10
POPULATION—m (e) (cb)	June	159.5	159.3	156.8	133.8
Non-Institutional, Age 14 & Over	June	111.5	111.4	109.6	101.8
Civilian Labor Force	June	64.7	63.0	64.4	55.6
unemployed	June	1.6	1.3	1.8	3.8
Employed	June	63.2	61.7	62.6	51.8
In Agriculture	June	7.9	6.4	8.2	8.0
Non-Farm	June	55.2	55.3	54.4	43.2
At Work	June	60.6	59.7	59.0	43.8
Weekly Hours	June	43.3	42.1	43.2	42.0
Man-Hours Weekly—b	June	2.62	2.51	2.55	1.82
EMPLOYEES, Non-Farm—m (lb)	June	49.4	49.0	47.4	37.5
Government	June	6.6	6.7	6.6	4.8
Factory	June	13.8	13.7	12.5	11.7
Weekly Hours	June	40.7	40.7	40.5	40.4
Hourly Wage (cents)	June	177.0	176.0	165.0	77.3
Weekly Wage ($)	June	72.04	71.63	66.83	21.33
PRICES—Wholesale (lb2)	Aug. 4	110.3	110.5	112.2	66.9
Retail (cd)	May	208.3	207.9	210.3	116.2
COST OF LIVING (lb3)	June	114.5	114.0	113.4	65.9
Food	June	113.7	112.1	114.6	64.9
Clothing	June	104.6	104.7	105.6	89.7
Rent	June	123.3	123.0	117.6	59.5
RETAIL TRADE—$b**					
Retail Store Sales (cd)	June	14.5	14.5	14.0	4.7
Durable Goods	June	5.1	5.1	4.9	1.1
Non-Durable Goods	June	9.4	9.3	9.1	3.6
Dep't Store Sales (mrb)	June	0.88	0.87	0.84	0.34
Consumer Credit, End Mo. (rb2)	June	27.1	26.7	22.4	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total **	June	25.3	25.6	25.0	14.6
Durable Goods	June	12.2	12.7	13.1	7.1
Non-Durable Goods	June	13.1	12.9	11.9	7.5
Shipments—$b (cd)—Total**	June	26.1	26.2	21.9	8.3
Durable Goods	June	12.9	13.2	10.1	4.1
Non-Durable Goods	June	13.2	13.0	11.8	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	June	77.6	76.8	72.9	28.6
Manufacturers'	June	45.5	45.0	42.9	16.4
Wholesalers'	June	10.4	10.3	9.9	4.1
Retailers'	June	21.7	21.5	20.1	8.1
Dept. Store Stocks (mrb)	June	2.6	2.6	2.3	1.1
BUSINESS ACTIVITY—1—pc	Aug. 1	197.6	197.8	175.0	141.8
(M. W. S.)—1—np	Aug. 1	241.8	242.0	208.2	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 000)

lower on the week by 1.0% with prices for fresh fruits, vegetables, hogs and poultry contributing most of the downward impetus. Processed foods lost 0.6% as the meat section of this component dipped 3.6%.

* * *

The pace of construction has not as yet been affected by the recent drop in construction contract awards and expenditures for **NEW CONSTRUCTION** rose to a new monthly peak of $3.3 billion in July, 8% ahead of July, 1952, according to estimates by the Commerce Department. July expenditures were 2% ahead of June with the increase chiefly resulting from seasonal gains in highway construction and building by public utilities plus a more than seasonal rise in commercial construction. Private residential building was valued at $1.1 billion in July, the third straight month above the billion dollar level and 7% ahead of a year ago. Commercial construction at $165 million was 67% above July, 1952 while industrial building at $179 million was 1% under last year. Private expenditures for new construction amounted to $2.2 billion in July, or 9% ahead of last year while public construction at $1.1 billion was 5% above the corresponding 1952 month.

* * *

Manufacturers' shipments of **PASSENGER TIRES** increased by 5.2% in June to 8,110,788 from 7,711,909 the month before, the Rubber Manufacturers Association has announced. Production was down 4.5% in June to 7,310,814 tires. With shipments in June topping output, inventories at the end of the month were down 5.9% to 12,852,485 tires from 13,655,727 the previous month. A year ago, manufacturers had 8,642,603 tires on hand. Tire output in the first half of this year came to 44,388,876 tires, a sharp gain from the 36,544,465 turned out in the corresponding 1952 period.

* * *

Expenditures for **NATIONAL ADVERTISING** rose to a new high in June and the index of such spending, compiled by Printers Ink and adjusted for seasonal factors, rose to 512% of the 1935-1939 base period. This is 1% above May and 17% higher than June, 1952. Biggest gain from a year ago was one of 28% for spending on television advertising while magazines took in 21% more. Newspapers

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	June	241	240	204	174
Mining	June	170	166	147	133
Durable Goods Mfr.	June	321	321	247	220
Non-Durable Goods Mfr.	June	199	199	186	151
CARLOADINGS—t—Total	Aug. 1	794	781	733	833
Misc. Freight	Aug. 1	377	367	341	379
Mdse. L. C. L.	Aug. 1	67	65	71	156
Grain	Aug. 1	52	56	59	43
ELEC. POWER Output (Kw.H.) m	Aug. 1	8,512	8,460	7,405	3,267
SOFT COAL, Prod. (st) m	Aug. 1	9.2	9.2	8.3	10.8
Cumulative from Jan. 1	Aug. 1	258.6	249.4	269.2	44.6
Stocks, End Mo.	June	76.0	72.9	81.2	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Aug. 1	6.6	6.6	6.1	4.1
Gasoline Stocks	Aug. 1	143	143	116	86
Fuel Oil Stocks	Aug. 1	50	49	51	94
Heating Oil Stocks	Aug. 1	103	98	36	55
LUMBER, Prod.—(bd. ft.) m	Aug. 1	254	259	264	632
Stocks, End Mo. (bd. ft.) b	May	8.0	8.1	8.0	7.9
STEEL INGOT PROD. (st) m	June	9.4	10.0	1.6	94
Cumulative from Jan. 1	June	58.0	48.6	45.0	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Aug. 6	327	297	253	94
Cumulative from Jan. 1	Aug. 6	9,561	9,235	9,346	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Aug. 1	256	186	256	165
Cigarettes, Domestic Sales—b	May	31	32	32	17
Do., Cigars—m	May	506	520	500	543
Do., Manufactured Tobacco (lbs.)m	May	18	19	18	28

PRESENT POSITION AND OUTLOOK

gained 8% while radio lagged with an improvement of only 2%. The effect of lower farm income could be seen in the decline in advertising in farm magazines which fell 5% under June, 1952.

* * *

SALES OF THE GAS UTILITY INDUSTRY to ultimate consumers during June totalled 3,788 million therms, a gain of 12.6% over sales of 3,363 million therms in June, 1952, the American Gas Association has reported. For the twelve months ending June 30, 1953 utility gas sales of 54,800 million therms were 9.4% over the previous twelve months. Natural gas sales in June came to 3,561 million therms which equalled 93.9% of all gas sales.

* * *

NEW ORDERS FOR FURNITURE in June fell 20% below June, 1952, according to the report by Seidman & Seidman, industry accountants. Shipments in June of this year were 7% ahead of the corresponding 1952 month and backlogs fell 4% under a year ago. Total new orders for the first half of 1953 are still 6% ahead of the first six months of 1952 despite the sharp dip in June orders while shipments in the half year are 10% higher than the corresponding 1952 period.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. i—Seasonally adjusted Index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1947-49—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, total consumer credit. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *1941; November or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

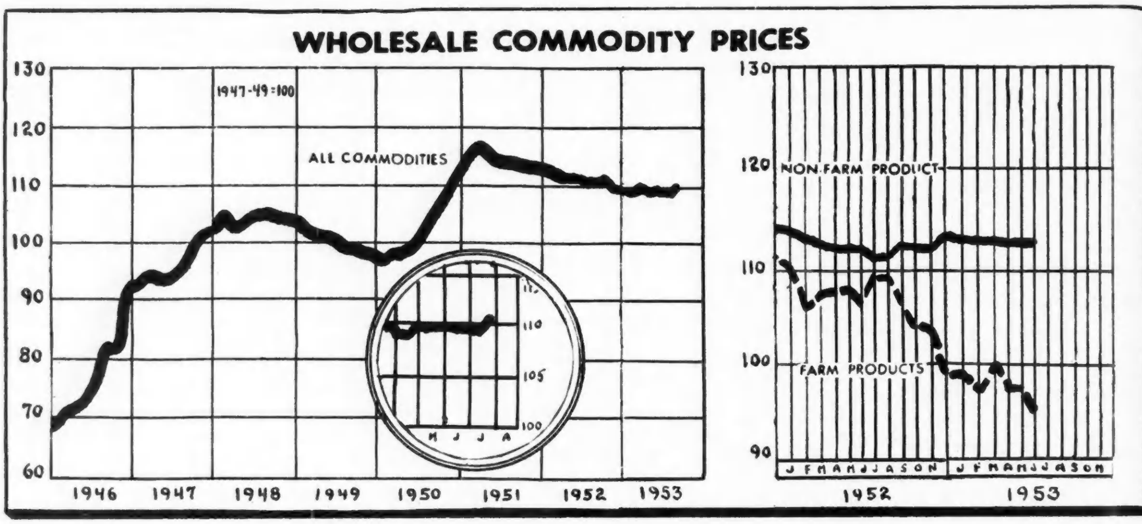
No. of Issues (1925 Cl.—100)	1953 Range High	1953 Range Low	1953 July 31	1953 Aug. 7
300 COMBINED AVERAGE	215.3	192.6	197.5	198.9
4 Agricultural Implements	263.3	214.7	214.7	214.7
10 Aircraft ('27 Cl.—100)	415.6	337.4	341.0	358.8
7 Air Lines ('34 Cl.—100)	693.9	577.2	596.6	596.6
7 Amusement	95.5	81.6	87.7	88.5
10 Automobile Accessories	289.4	245.1	250.3	255.5
10 Automobiles	49.4	41.8	42.8	42.8
3 Baking ('26 Cl.—100)	28.0	23.8	25.6	26.3
3 Business Machines	377.4	326.1	333.4	333.4
2 Bus Lines ('26 Cl.—100)	207.6	170.2	207.6	205.9
6 Chemicals	396.9	345.8	357.5	361.5
3 Coal Mining	15.4	11.2	11.3	11.3
4 Communications	69.3	63.0	67.4	68.0
9 Construction	72.3	63.4	64.1	64.8
7 Containers	519.4	461.7	490.5	495.3
9 Copper & Brass	175.4	142.5	145.6	142.5
2 Dairy Products	97.7	92.3	95.9	95.9
5 Department Stores	63.2	57.7	58.9	59.6
5 Drugs & Toilet Articles	235.2	219.5	224.0	226.2
2 Finance Companies	410.0	341.8	358.1	366.2
7 Food Brands	200.4	190.8	200.4	200.4
2 Food Stores	124.8	113.0	122.4	124.8A
3 Furnishings	79.2	67.9	67.9	69.4
4 Gold Mining	760.0	614.6	641.1	621.2

(Nov. 14, 1936, Cl.—100)	High	Low	1953 July 31	1953 Aug. 7
100 HIGH PRICED STOCKS	133.5	120.8	125.0	125.6
100 LOW PRICED STOCKS	260.6	228.7	233.0	234.6
4 Investment Trusts	112.7	97.5	100.8	101.9
3 Liquor '27 Cl.—100)	967.8	866.4	884.8	903.3
11 Machinery	240.6	208.5	213.1	215.4
3 Mail Order	128.6	111.8	113.0	114.2
3 Meat Packing	101.7	88.4	91.1	92.8
10 Metals, Miscellaneous	284.5	229.7	232.3	232.3
4 Paper	474.8	408.2	430.4	434.8
24 Petroleum	463.4	413.2	431.6	431.6
22 Public Utilities	194.4	173.8	183.2	185.0
8 Radio & TV ('27 Cl.—100)	36.9	30.8	32.9	32.9
8 Railroad Equipment	64.1	57.5	58.7	59.3
20 Railroads	53.2	47.0	49.6	49.5
3 Realty	51.5	47.6	48.6	49.5
3 Shipbuilding	269.9	228.7	235.6	247.0
3 Soft Drinks	407.5	342.4	393.8	393.8
11 Steel & Iron	151.4	135.7	142.8	141.4
3 Sugar	59.8	51.9	53.8	51.9
2 Sulphur	625.9	543.3	578.7	578.7
5 Textiles	162.2	119.6	122.9	126.2
3 Tires & Rubber	89.7	74.6	77.9	77.9
5 Tobacco	105.2	90.8	104.3	105.2A
2 Variety Stores	319.5	294.9	301.1	301.1
16 Unclassified ('49 Cl.—100)	125.7	107.7	108.9	110.1

A—New High for 1953.

Trend of Commodities

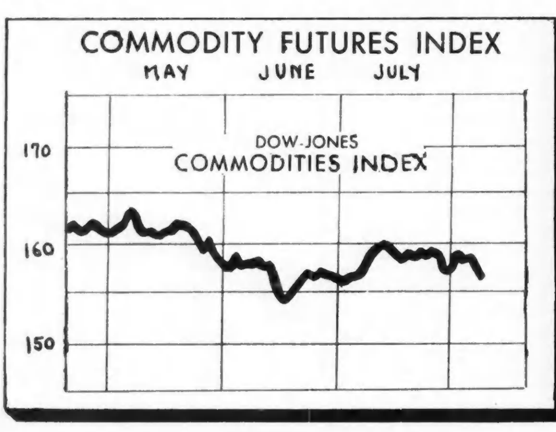
Relative steadiness in commodity futures markets was succeeded by heavy liquidation on August 10 which sent prices tumbling, with wheat and coffee most severely affected while lard and wool bucked the trend and closed higher. The Dow-Jones Commodity Futures Index lost 2.89 points on August 10, the sharpest drop since June 15 and closed at 155.34 which compares with a level of 158.26 two weeks earlier. September wheat closed at $1.81 on August 10, a decline of 9¼ cents on the day and 16¼ cents under the July 27 closing. Poor export sales and large supplies of the bread grain were blamed for the selling as well as the fear that farmers might reject production curbs on the 1954 crop when they vote on August 14. Such a rejection would mean lower Government support levels for next year's crop. September corn lost 1¼ cents on August 10 to close at 144, where it was down only ½ cent from July 27 levels. The Government loan on corn is above current prices and is a supporting influence as is the satisfactory hog-corn price ratio. Cotton prices have given ground grudgingly in the past two weeks with the October future posting a net loss of only 22 points for the period. The Agriculture Department's first estimate of the cotton crop was released on August 10 and forecast a 14,605,000 bale crop, which is some 500,000 bales more than had been expected, although below last year's output of 15,136,000 bales. Dealers are forecasting domestic consumption plus exports this season of no more than 12.5 million bales and this would leave some 2 million bales to be added to next year's carryover.

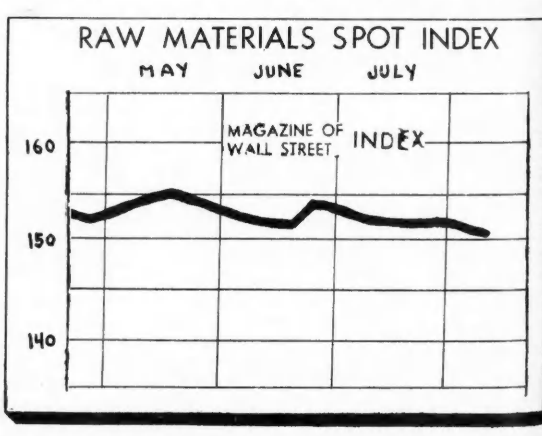


U. S. DEPARTMENT OF LABOR INDEX OF 22 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

	Date Aug. 10	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	87.8	88.2	87.6	96.1	53.0
9 Foodstuffs	91.7	91.0	89.0	94.6	46.1
3 Raw Industrial	85.1	86.0	87.0	97.0	58.3

	Date Aug. 10	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
5 Metals	93.8	90.3	95.1	113.8	[illegible]
4 Textiles	91.1	90.8	89.0	94.7	[illegible]
4 Fats & Oils	59.9	57.9	59.1	64.6	[illegible]





Average 1924-26 equals 100

	1953	1952	1951	1945	1941	1939	1938	1937
High	170.1	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	154.6	168.3	174.8	83.6	58.7	61.6	57.5	64.7

14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953	1952	1951	1945	1941	1939	1938	[illegible]
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	[illegible]
Low	151.1	160.0	176.4	98.6	58.2	48.9	47.3	[illegible]

Keeping Abreast of Industrial and Company News

In a brochure, done in many colors that in itself is a work of art, **THE CHRYSLER CORP.**, depicts the advanced styling the company has achieved in the new Plymouth, Dodge, DeSoto and the New Yorker and the Imperial. The lines of each of the models, their interiors and the engineering advances as shown give the peruser of the brochure a feeling of the quality that is Chrysler. Included in the cars pictured are the Chrysler C-200 and the D'Elegance, both of which are hand-crafted, custom made and admittedly fabulously expensive. For the car buyer seeking something "down to earth", however, Chrysler offers a wide line of its standard products incorporating hemispherical combustion chamber engines, rust-proof bodies, electric window lifts, disc brakes, power brakes, and a score of other engineering developments that have made Chrysler's fine cars finer.

Four new home appliances, all of them incorporating the latest practical features as developed by the Betty Crocker home service department, have been added to the **GENERAL MILLS, INC.**, home appliance line. The new appliances include an all-purpose food mixer, incorporating a "mix timer", a combination waffle iron and grill, and an automatic deep fryer that can be converted into a roaster or oven. An interesting feature of the food mixer is its thumb control speed dial that also makes it possible to select one of a number of speeds, according to the requirements of the successful preparation of the material being mixed.

The **DU MONT** development of the UHF transmittor represents a complete departure from former transmitter designs and, as such, has a great deal of promise, since the advantages of the transmitter are substantial, both as regards economy of operation and technical efficiency. It is stated that all the inherent limitations of UHF transmission as to cost, maintenance and operation have been eliminated through this newest product of the Du Mont laboratories. It is expected that over the next few months the transmitter division of the Allen B. Du Mont Laboratories, Inc. will attain regular production of this revolutionary 5 KW UHF transmitting equipment.

The first small completely equipped, all-electric house to be developed by **GENERAL ELECTRIC COMPANY** was opened recently in Dallas, Texas. Known as the Wonder Home, the house is one of a series being sponsored by the company to demonstrate the ease and practicability of incorporating modern electrical equipment into small and medium-sized homes. Installed in the house is a heat pump, electric water heater, remote control wiring, air conditioning, complete kitchen and laundry with 11 cubic feet food freezer combination, automatic washer, dryer and automatic ironer. Provision is made for use in the house of small appliances, television and radio receivers.

Development of a new quick-drying material that can be sprayed like paint on metal to make the treated surface capable of withstanding temperatures as high as 5000 degrees F. has been announced by the **B. F. GOODRICH CO.** The material, called "Pyrolock" was developed at the request of the Defense Department for use in the rocket and guided missile field. According to an official of the company, the new material resists temperatures for longer periods than any other preparation available for use in that field. "Pyrolock" can be modified easily for use by industry where resistance to flame and high temperature is needed.

Street crossing on rainy days is made safer for children through the use of umbrellas equipped with a safety window made of **UNION CARBIDE & CARBON CORP.'s** clear Vinylite set in between two of the umbrella ribs. Tough and flexible, Vinlyite plastic resists water, mould, mildew, and is easy to clean with a damp cloth or sponge. The resistance of Vinylite plastic to cracks or creases caused by repeated umbrella folding is a factor in the material's transparency when used as what might be called an umbrella window.

After nearly a year of special research, **LIBBEY-OWENS-FORD GLASS CO.**, has developed a new neutral tint television screen to give improved clarity of picture and glare reduction in television receivers. One of the qualities of the new product is that it gives balance to contrasting shades of light, and makes the picture much sharper. Another is that the new screen is a special kind of safety plate glass and affords protection to the cathode tube.

An electric calculating board designed to figure more precisely and more quickly the economies of transmission in a major electric power system has been ordered by the **AMERICAN GAS & ELECTRIC CORP.** The board, called a "penalty factor computer", is expected to permit the company's system to realize a saving of as much as $100,000 a year in operating costs. The computer will determine instantaneously the correction factors to be applied in scheduling power plant loading to minimize the adverse effect of transmission losses and thus achieve maximum system operating economy.

As part of its activities commemorating a half-century of operations, **CLARK EQUIPMENT CO.**, early in August held a materials handling exhibit at its Buchanan, Mich., *(Please turn to page 633)*

Is Building at a Peak?

(*Continued from page* 613)

were postponed during the war and again soon after the Korean incident. Although projects of this type, as well as public utilities works, are comparatively small in relation to residential and industrial plans, the uptrend that seems likely to prevail for a time may sustain total volume of contracts.

Needs for schools and highways are evident on all sides, but financing is difficult in some instances, especially if large projects are under consideration. The success of turnpikes by state authorities has encouraged highway construction under arrangements calling for tolls to finance borrowings. Expenditures on highways are expected to show an increase of 5 per cent or more this year.

Total construction costs are variously estimated for 1953 at $32.5 to $34.5 billion, compared with $32.2 billion last year and $30.8 billion in 1951. The 1951 figure represents an increase of 50 per cent over 1948, which suggests the extent of the expansion in the last five years.

Looking ahead to next year, indications point to some further contraction in residential construction, but to gains in repair and modernization. The spread of "do-it-yourself" projects holds out hope for suppliers of materials used largely on repairs—such as plywood, paints, cement, plaster, wall paper and similar items. Improvements in paint and applicators together with development of power tools have encouraged home owners to undertake jobs that would not have been attempted had not labor costs forced individuals to demonstrate their abilities with the paint brush, hammer and saw.

Reviewing prospects for this year and the near term ahead, it would seem likely that volume may decline insignificantly through 1953 and probably only slightly next year. Efficient manufacturers should be able to maintain satisfactory profit margins. Competition promises to become keener. Elimination of overtime would help reduce manufacturing costs. Operations of a few typical producers will be examined in some detail, and these observations will be supplemented by the accompanying tabulations.

Skepticism expressed over the outlook for building material suppliers scarcely extends to cement makers. Prospects for a high volume of public works projects are reassuring. This favorable view finds support in first half earnings of the two leading factors representing this industry—*Lone Star Cement* and *Lehigh Portland Cement*. The former reported a moderate decline in sales in the six months at $37.2 million, against $39.2 million a year ago, but net income dipped only slightly to $4,040,000 from $3,180,000, or $1.42 a share against $1.47 in the first half of last year. Lehigh showed an encouraging increase in volume as a result of enlargement in facilities, sales climbing to $26 million from $24.9 million in the first six months last year. Net profit rose only nominally at $2,490,000, or $1.31 a share, against $2,480,000, or $1.30 a share.

The principal manufacturers of roofing, sidings and similar materials fared well in spite of some indications of a slower rate in residential construction together with unfavorable weather conditions in May. *Johns-Manville* reported an encouraging rise in volume to $123.4 million in the first six months from $116.3 million in the same period last year. Net profit sagged slightly, however, because of higher taxes. Accruals in the first six months last year were aided to some extent by a carryback credit for excess profits taxes. Net income amounted to $11.4 million, or $3.58 a share, against $11.9 million, or $3.77 a share.

U. S. Gypsum likewise experienced a sizable increase in sales at $94.7 million, against $88.1 million in the first half of 1952. Net income rose to $10.2 million, or $6.20 a share, from $9.6 million, equal to $5.83 a share in the corresponding period of last year.

Ruberoid Company, a leading supplier of roofing, especially for repairs and rehabilitation projects, boosted its sales in the first six months to $36.1 million from $30.1 million in the corresponding period of 1952, while net profit increased to $2.2 million from $1.8 million a year ago. This was equivalent to $3.32 a share on the increased capitalization, against $3.10 in the same period last year.

Companies Whose Sound Planning Made Them Stronger

(*Continued from page* 601)

explored are of great potential importance, among them being the Timbalier Bay Field, La Fourche Parish, Louisiana and the Triple N field in Andrews county, Texas. Others in the United States are too numerous to mention in this abbreviated description but the new process, developed by the company, of fluid injection in the utilization of potential acreage is expected to add substantially to ultimate recovery of oil. In Canada, the company has also extended its exploration with promising areas located, especially in Alberta. In Venezuela more substantial progress has been made in opening up new areas, especially in the eastern portion of the country. Of importance in increasing oil recoveries in Venezuela is the utilization of natural gas injection. The well-known holdings of the company in fabulously oil-rich island of Kuwait, in the Persian Gulf are steadily being expanded in scope. The new discovery of the Magna field in that area is considered of outstanding importance. Other regions explored by the company are: Denmark, Tunisia, Sicily, the Bahamas, Barbados, Cuba and Peru. Substantial capital investments include the broadening of its pipe line facilities, and substantial additions to marine equipment and facilities. Refinery capacity is steadily being increased, with some of the latest type of plants either completed or in process of construction. The company has not neglected the important field of petrochemicals and its Port Arthur (Texas) refinery, whose products are in use by the growing number of chemical plants in the vicinity, is one of the largest of its kind in the world.

Union Carbide & Carbon Corp. Approximately $520 million have been spent for capital additions and improvements in the period 1948-1952. One of the most important developments is the extension of the company's activities in the field of alloys and metals. This branch now consumes a larger portion of funds marked

off for new construction than any of the other of the company's divisions, even including its basic chemicals and plastics. Another significant development has been the construction of a coal chemicals pilot plant with the objective of supplying organic chemicals and plastics from abundant coal reserves. An idea of the company's scope in research is indicated by the fact it employs several thousand scientists and engineers for the sole purpose of pursuing experimental activities. The five divisions of the company—alloys and metals; chemicals; electrodes, carbons and batteries; industrial gases and carbide, and plastics—have all been allotted substantial sums for new plant construction and development of new products. Aside from the significant developments of the company in the alloys and metal field, the most interesting now seem to be in the field of plastics, in which the company has a very strong position.

Space does not permit a detailed review of the recent-years capital expenditures of the other ten companies listed on the table. However, like those briefly described above, all have been extremely active in adding substantially to facilities.

While emphasis has been laid on the advantages accrued to companies which took advantage of the lower costs available in the years 1947-1951, it is also important to note that these companies, as well as others who have delayed, now no longer have these advantages owing to the higher costs now prevalent. Nevertheless, it is undeniably true that to the extent to which they profited from lower construction costs in the earlier post-war years, they are "that far ahead of the game".

3 Professional Methods Against Market Hazards

(*Continued from page* 619)

speculations, having no equity, and are lacking in voting and dividend rights. Usually, the specified price is far above the market value of the stock at the time of the issuance of the warrants, although there are several instances where the price of the common stock is selling close to or above the warrant purchase price. Where this has occurred, the warrants have lost most of their speculative appeal because both the warrant and the stock are certain to maintain their relative price positions, moving in harmony in the event of a decline or in any further advance.

There are, however, a number of warrants that continue to attract the attention of those interested in this type of speculation. Such issues may have speculative qualities inasmuch as they constitute a long-term call, in most instances, on the company's common stock, the ultimate value of which must be calculated on the potentials of the issuing company.

As a matter of interest, we present on these pages a list of current stock purchase option warrants with their current market value, conversion price and other data. These are given for reference only. A recommendation to buy is not implied.

For Profit and Income

(*Continued from page* 623)

conservative income-investment, with promise of moderate long-term appreciation, few stocks have more merit than good utilities such as American Gas & Electric, Commonwealth Edison, Central & South West, Southern Company, Public Service of Indiana and dozens of others.

Value

Because of exceptional population growth, West Coast crude oil consumption is heavy relative to the region's own supply of oil. That is why West-Coast oil prices were raised some months in advance of the general boost. One of the best values in the oil group is Union Oil of California. It is benefitting not only from the favorable general factors but also from a major improvement in refining efficiency effected in recent years. Earnings this year probably will be \$6.50 to \$7 a share, against 1952's \$5.07. The \$2 dividend probably will be raised or supplemented by a sizable year-end extra. Payments have been continuous since 1916. Finances are strong. The book value was \$50.54 a share, as of last March 31. Performing better than the group, the stock is at 43½, against earlier high of 45⅝. It

(*Please turn to page* 632)

For Profit & Income

(*Continued from page* 631)

would appear to be among the oils most likely to move up into new high ground.

Cigars

Some of the long-dormant cigar stocks have been looking up a bit, reflecting sharply improved first-half earnings. For this period General Cigar earned $1.02 a share, against 62 cents a year ago; Consolidated Cigar $1.95, against $1.39. Improvement has resulted from well-maintained sales and lower cost of leaf tobacco bought in 1952. On the other hand, cigar-leaf tobacco bought this year may average as much as, or a little more than, last year's. Sales are more sensitive to business recession than are those of cigarettes. General Cigar is around 17 in a 1949-1953 range of 20⅛-14, yielding about 5.9% on a $1 dividend. Payments have been continuous since 1909. Consolidated is around 30 in a 1949-1953 range of 35⅜-21, yielding 6.3% on a $2 dividend. Payments were omitted in several depressed years of the early and mid-1930's.

The Farm Subsidy Headache

(*Continued from page* 603)

cultural production abroad had got back on its feet there was a tremendous world demand for American farm products. Inflation had benefitted farmers more than producers of other commodities. Some years elapsed before inflation caught up with farmers in the form of higher costs for practically everything used in production and farm households.

While inflation was catching up, the foreign market began to shrink. With high government price guarantees, carried over from the war and immediate postwar period long after they should have been reduced, farmers overproduced. Mounting surpluses checked the buoyancy in prices of farm products even though national income, as a result of the postwar business boom and the defense program, has continued to rise steadily.

The ratio of prices of all farm products to parity now is 93 as against a high of 122 in the early postwar period. Considering the artificial nature of the parity concept, as described previously, it is obvious that farmers as a whole are doing very well although they are not reaping the bonanza of the early postwar period.

In the Southwest, many farmers have been badly hurt by drought but that is an entirely different problem. Numerous high cost operators also have been hurt by the declines in prices of farm products. But, the majority of farmers are doing well.

During the early postwar years, when prices of farm products were so extremely high relative to costs of production, farmers improved their positions tremendously. Most of them paid off their mortgages and, for a short time, there was less mortgage debt outstanding than in many years.

But, high prices for crops were too attractive to resist. Although speculation in farm lands has not been as great as during the somewhat comparative World War I period, there has been considerable mortgaging of farms to buy other farms at inflated values, also mortgaged. Interest costs are rising again relative to total farm income, and the situation may become more serious for many farmers if the commodity price structure pursues its historical postwar downward course over the coming years.

During these early postwar years, farmers also spent freely to improve their farms in many ways. Farm machinery sales were tremendous. New farm buildings of all kinds were built. Farms were electrified and mechanized on a huge scale.

With prices of farm products down and with costs of operation showing only a slight tendency to decline, farmers are curbing their spending. The big farm implement companies have been forced to reduce operations as a result. Nevertheless, judged by any normal standards, the farm market still is a good market.

Production Curbs On The Way

In order to avoid further piling up of surpluses and in an effort to make good on its price guarantees, the Department of Agriculture now is invoking production curbs on the major crops. Acreages of wheat, corn, and cotton, for example, for 1954 crops will be cut back sharply.

Crops have been very large during the past few years and will be very large again this year. Even though market prices have failed in some instances to hold at the government support levels despite large scale support operations, the large production has enabled farmers to do well.

With the general economic outlook as uncertain as it is, there is no assurance that government supports will necessarily be any more effective than they have been over the past year. The reductions in agricultural production may not be offset by sufficient increases in prices to enable farmers to maintain either their gross income or net income at recent levels.

In its efforts to support prices the Government may be forced to take over very large quantities of farm products this year and next. Even though these are held off the market, and cannot be sold by law at less than the cost to the Government including accumulated storage costs, they nevertheless tend to exert downward pressure on prices. For, the various commodity trades know that these stocks must be liquidated eventually for whatever price they will bring.

Storage Facilities Clogged

The Government is now holding, as a result of support operations on 1952 and prior crops, approximately a billion bushels of wheat and corn, over half the 1952-53 crop production of cottonseed oil, some 2,000,000 bales of cotton, and large quantities of other farm products.

The "mothball fleet" of merchant ships is being used for storing some of the grain. The shortage of storage space is so great that farmers are being loaned money against wheat on the ground, where large scale spoilage is inevitable unless the grain can be moved into suitable storage.

The clogging of storage facilities renders it doubtful that the Government can make good on its support promises to farmers. By a year hence, surpluses will be so much larger than now that there will be no room for storing 1954 crops.

Nevertheless, Washington is committed to support prices at 90 percent of parity through the 1954 crops, although ths promise cannot be made effective unless

the Government undertakes a large scale and very expensive storage building program.

Our farm program is forcing the Government into business at the very time that the Administration is committed to a return to private enterprise. The Government is committtng itself to huge and certain losses in its support operations at a time when we are trying to reduce government spending. All this without any real assurance that supports will be effective.

It would seem that the time has come to recognize that agriculture is a business and that the return to free enterprise means free enterprise for agriculture, too.

Italy at the Crossroads

(*Continued from page* 609)

The situation has been made worse by the hindrance to emigration as a result of the economic difficulties in Argentina and Brazil which have absorbed a considerable part of new Italian emigrants. Until this problem is solved communism is likely to feed on the frustration of the young Italians, particularly the educated ones, who reach maturity at the rate of 250,000 yearly; new jobs at home can absorb only 90,000 people. In emphasis of this point, we reprint the views of Don Luigi Sturzo, philosopher and the founder of the Christian Democratic party, as quoted by Mrs. Anne O'Hare McCormick of the New York Times:

> We need outlets for emigration more than we need money. Until we can provide more opportunities for the young, and more technical training so that Italian workers at home and abroad are not mere unskilled labor, we shall have young people coming of age to vote against the Government. They are protestors more than Communists, but the effect of their frustration is the same.

Italy at the Crossroads

It is obvious that the job of bringing Italy up to the social and economic level of the Western World which would be the only permanent way of averting experiments in totalitarianism in that country, will take not only time and money but also political stability. Without political stability inflow of foreign capital needed in the reconstruction of the Italian South, or, for that matter, the creation of capital at home through savings, will be handicapped.

Italy today is truly at the crossroads. There are three paths that she can take. The first one which the extreme Right would like to follow leads to the re-establishment of fascism. The second which would ultimately lead to a disaster would mean the adoption of communism. The third path involves slow and gradual raising of the standard of living and the consolidation of a democratic regime. Which path will Italy choose is difficult to say particularly if a serious economic crisis develops within the Free World.

Until the choice is made Italy will probably flounder in much the same way as France is doing. One political alliance will probably follow another, as splinter political parties and pressure groups try to get to the trough to "the discredit of democracy".

Keeping Abreast

(*Continued from page* 629)

plant. Included in the demonstration were about 40 different industrial materials-handling trucks produced by Clark. These included fork-lift trucks, towing tractors, powered-hand trucks and two lines of products recently acquired through purchase of the Ross Carrier Co. A number of trucks were shown that have been built to meet the needs of handling particular products such as rolls of newsprint, steel drums, coils of wire, cotton bales and other odd-shaped items.

According to present schedule, the new research center of **UNITED STATES STEEL CORP.**, construction of which got under way about a month ago with ground-breaking ceremonies, is expected to be ready for use some time in 1955. Plans provide for three buildings which will house experimental equipment for studying every phase of steel processing from the raw material stage to the finished product. Some of the more pressing prob-

(*Please turn to page* 634)

BOOK REVIEW

ABC OF INVESTING

By R. C. EFFINGER

This book has already proved widely popular both as a guide for those without previous knowledge of the subject and as a volume for investment advisers to recommend to their clients.

In this revised edition the author has included an entirely new section on professional management facilities, describing how investment counselors, investment companies, and trust companies operate and what particular services they perform. Mr. Effinger — who is senior investment officer of a leading New York bank — also supplies here fresh research data on formula plans, and additional examples of successful investing programs explaining the relative advantages of bonds, preferred stocks, common stocks, and mutual fund shares for the investor's needs. The concluding section, in which the author outlines sound programs for such persons as the doctor, the widow, the small businessman, and others, will be particularly helpful in showing how the investor can tailor his policy to fit his individual requirements.

HARPER

Keeping Abreast

(*Continued from page* 633)

lems the laboratory will seek to solve will be that of offsetting the deteriorating quality of available raw materials; how to conserve scarce strategic metals as nickel, tin, manganese and columbium; and how to develop new and improved steels to meet specific civilian and military requirements.

PHILLIPS PETROLEUM COMPANY will construct a new 16,000-barrel-a-day platformer unit at its Sweeney refinery in the Gulf Coast area south of Houston, Tex. to produce high-quality blending stock for greater output of high-octane gasolene for the new, more powerful automobiles. Construction is expected to begin early next year with completion scheduled late in 1954. The Sweeney refinery supplies refined products to Phillips' marketing operations in the Gulf Coast area, the company's Florida marketing territory and outlets along the Mississippi River as well as export markets. In addition to high quality motor fuel, the refinery produces jet fuel, alkylate for blending into high-octane aviation gasolene, kerosene, a line of heating distillates, diesel fuel, heavy fuel oil and liquefied petroleum gas.

Trend of Events

(*Continued from page* 592)

the rapid growth in our population does not derive solely from the actual numbers involved but, and even more important, from the fact that our standard of living is increasing simultaneously. The combination of both factors accounts in large measure for our steadily advancing prosperity. For example, each additional one million in population has the effect of creating the equivalent of $5.7 billion annually in terms of our gross national product. With a population of about 175 million in 1960, it is possible to foresee a gross national product for that year of as much as $415 billion. As recently as 1946, at the end of World War II, it was only $211 billion.

From these figures, it is not difficult to see that the continued population increase in the United States is an exceedingly important factor in the dynamics of our national economic set-up. As such, it offers one of the strongest imaginable props under our economy. This is quite unlike many other nations who, contrary to finding a population increase a desirable economic asset, actually find it an intolerable burden. It may be assumed from this that a population growth is not of itself an economic benefit and that it must be accompanied by a high living standard to produce a really solid economic foundation.

TIME TO LEARN SELLING . . . Whether stiff competition among sellers of merchandise comes at the end of the year, as some expect, or later, it must come. No tree grows into the sky, and no market expands forever. Since this is true, the air and the pages of management journals are filled with exhortations to prepare for the day of hard selling. This is excellent advice, but the seller should remember that effective selling is more than just all-out effort.

Sales, in this literate country, begin with advertising. Some suppliers go to great lengths to coordinate advertising with on-the-floor selling. Company A, a carpet manufacturer, has turned the Big Three of carpets into a Big Four simply by pushing retailers into the homes of prospects through persistent promotion to the stores of better sales methods. Company B, a pen manufacturer, makes sure its sales aids get to the dealer; it has replaced the salesman's cumbersome load of sample advertising and promotion material with a slide-projector that weighs a pound or two and does the same job of showing the dealer what sales helps are available.

Many suppliers will help the dealer in these and other ways. While the retailer must be selective in accepting assistance, lest his own individuality be submerged, he can well consider moving his purchases to suppliers who put much of their own sales effort into point-of-purchase helps to dealers.

The retailer must still, of course, bridge that difficult last two feet of the journey from mine or field to consumer—the distance from the show-case to the customer's hand – himself. He can best do so by getting back to the fundamentals obscured by the long seller's market.

First, he must know and believe in his merchandise. The salesman who honestly feels that he is doing a prospect a favor to introduce him to his wares is the man who makes sales. Second, the truism that the way to get results is to make calls survives all ups and down of trade cycles. Whether by advertising, but attractive windows, or by sending forth doorbell-ringers, the merchant who lets the customer know where he can get what he wants is the merchant who gets the business.

In the growing suburbanization of America, the place to find the customer is more and more at his home. More families have multiple bread-winners, and evening at home is the time to find husband and wife together.

The old merchants' adages: "Well bought is half sold" and "The first loss is the best one" will also be reappearing in times a little more stringent. Goods have been better than cash for a decade. Soon cash may be better than goods. There are scientific aids to make sure that inventory is not excessive while at the same time sales are not lost through want of goods to show. The retailer must learn to use these as well as his own judgment. When slow-moving merchandise must be cleared out, the fact that it is being sold without profit can be stressed to reap goodwill as well as liquidate mistakes.

Almost as important as what to do is what not to do. Any list of don'ts must be headed by a warning against the quack remedy of more inflation, already being hawked by the likes of Rep. Wright Patman. At any level of real income the market for durable goods – which is the market which fluctuates widely in this country—comes to a certain equilibrium. Manipulations of the currency to snatch the bread from one group and bake a cake for another, cannot largely influence that equilibrium.

There may be a down turn in sales of durables and semi-durables in a few months. Out of this smaller total, some merchants will get a larger share, and some will get so much a smaller share that they will go out of business. We have enough confidence in the good sense of the American people to believe that the merchant who knows his stock, who believes in his merchandise, and who makes himself the sort of man others like to deal with, will successfully meet the challenge.

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As I See It!

(*Continued from page* 593)

between East and West deepen. It is significant that this feeling of disenchantment has been growing and that there is a well-defined trend in American thinking toward the necessity of creating a new national policy in which less dependence will be placed than heretofore on our allies and more emphasis laid on increasing our own military and economic strength at home. In the final analysis, in the search for true military strength we may have to depend on ourselves rather than on our allies.

BOOK REVIEWS

A KING RELUCTANT

By VAUGHAN WILKINS

It all began toward dusk of a foggy day in 1974, when a number of people in the Welsh village of Tenby were suddenly confronted with a most incredible phenomenon – a nine-year-old boy, dressed as a girl, literally dropped out of the sky. Who he was or where he came from, no one knew. But this dirty,frightened child was in reality the key figure in a tragic and mysterious chain of historical events.

The handsome Duke of Brignoles sacrificed his only son and the American girl, Virginia Traill, sacrified here honor – both for the life of this young boy, An entire Parisian household was murdered; and England was invaded by a group of cut-throats – in a desperate attempt to capture him. The world was told that he was dead, but a government shook, knowing that he still lived.

Some of the mysteries surrounding the fate of this boy are even now unsolved. Theories strange as anything a novelist could devise have been cited by serious historians. How Vaughan Wilkins resolves the drama will not be divulged here. Suffice it to say that Mr. Wilkins has concocted another superb historical romance based on actual fact but animated by his extraordinary imagination.

Macmillan $3.50

ANNAPUURNA

By MAURICE HERZOG

Maurice Herzog, the author of *Annapurna*, was one of the leaders of the French Expedition to the Himalayas which was the first in the history of mankind to climb an 8,000 meter peak–the magic goal of every mountaineer, – by conquering Annapurna's 26,493 feet.

Every step taken by Herzog and his companions was charged with adventure. The days of travel through a wilderness of gorges and torrent streams. The preliminary explorations of the approaches to "The Goddess of the Harvests" as the Nepalese called Annapurna. The back-breaking task of establishing a chain of camps: Base Camp at 14,750 feet, Camp 1 about 2,000 feet above, Camp 2 another 2,500 feet up and on Camp 5 at a height of 24,300 feet.

Snow whipping into their faces;; cold stiffening their clothes; the glaze of the tropical sun blinding them; their bodies and brains sluggish from fatigue and lack of oxygen. Finally a jubilant sense of victory and then the discovery that the worst was still ahead. A long series of mishaps during the descent which plunged the expedition almost into total disaster.

Annapurna by Maurice Herzog is one of the great adventure classics of all time. It is also an enduring tribute to the spirit of man which is indestructible and against which nothing can prevail.

Dutton $5.00

ECONOMIC SURVEY OF EUROPE SINCE THE WAR

The plan of the SURVEY is as follows. Part I analyses the main features of Europe's economic position in the post-war world, including the effects of the war on capital and population and the changed external setting in which countries had to earn the imports on which they depended.

Part II examines the aims and methods of economic policy in different countries and their varying success.

Part III reviews the extent and nature of progress since the war in carrying out the basic readjustments required in the international trade and payments position of western Europe and considers also the large adjustments which are still to be made.

Part IV opens with a study of past and prospective changes in the size, distribution and employment of Europe's manpower and of the problems to which these changes give rise. Against this background, special attention is then given to three major industrial sectors – agriculture, textiles and heavy industries. The problems in another field – forest resources and industries – are considered separately in a joint ECE/FAO analysis entitled "A Study of European Timber Trends", to be published about the same time as the present report.

The SURVEY concludes with a discussion of the efforts made towards greater economic integration within Europe and of the extent to which this might assist in solving the problems analysed in earlier chapters.

COLUMBIA UNIVERSITY PRESS
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EXCESS PROFITS TAXATION

This timely symposium volume is devoted to a consideration of the excess profits tax in both theory and practice.

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Parts II and III are devoted to a detailed discussion of the computation of the tax, including the determination of the "normal" profits by either the invested capital or average earnings method, and the adjustment of current income through carry-backs, carry-overs, exclusions, and deductions.

The effects of the excess profits tax upon the taxpayers are considered in Part IV. Representatives of affected industries discuss the impact of the tax upon their particular types of enterprise–growing corporations, television, utilities, banking, retailing, special tooling, railroads. The need for relief provisions to alleviate hardship cases is also examined in detail.

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THE FINANCIAL POLICY OF CORPORATIONS

By ARTHUR STONE DEWING

THE FINANCIAL POLICY OF CORPORATIONS has long been regarded as a leading authority in its field. Its established interpretations have been quoted in courts of law, and it has achieved wide acceptance as a practical guide to questions of finance. Adhering closely to the point of view of those responsible for determining individual corporate policies, it offers detailed descriptions and penetrating analyses of the many diverse factors on which these policies must be based.

The book covers the whole life cycle of the corporation, from the initial promotion and flotation of securities, through the various problems of the going concern, to the maze of complications involved in reorganization and dissolution. Drawing upon his own broad background and unique experience, the author brings out the essential principles of corporate financial activity, distinguishing that which is transitory from that which is relatively permanent. These principles are illustrated by constant references to specific policies and practices of individual corporations. The inimitable style and vivid presentation make the book as readable as it is informative.

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TRUTH IS OUR WEAPON

By EDWARD W. BARRETT

In a book of major importance in its vital field, Mr. Barrett dissects the pattern of American information and propaganda abroad. He casts fresh light on the controversial Voice of America operations, presents the reader with a rounded background of facts, and reveals a great deal which Congressional committees have not put into the public record. In addition, he describes the political and ideological problems which confront any information program and blocks out the steps which must be taken to wage peace effectively under the charter of democracy.

Barrett, the man who greatly strengthened America's Campaign of Truth and sponsored such experiments as floating radio stations, avoids violent partisanship. He points out propaganda accomplishments and blunders of both the Truman and Eisenhower administrations. Eisenhower's cold-war speech of April 16, 1953, he considers "superb." Most important, he sees "a magnificent opportunity" ahead.

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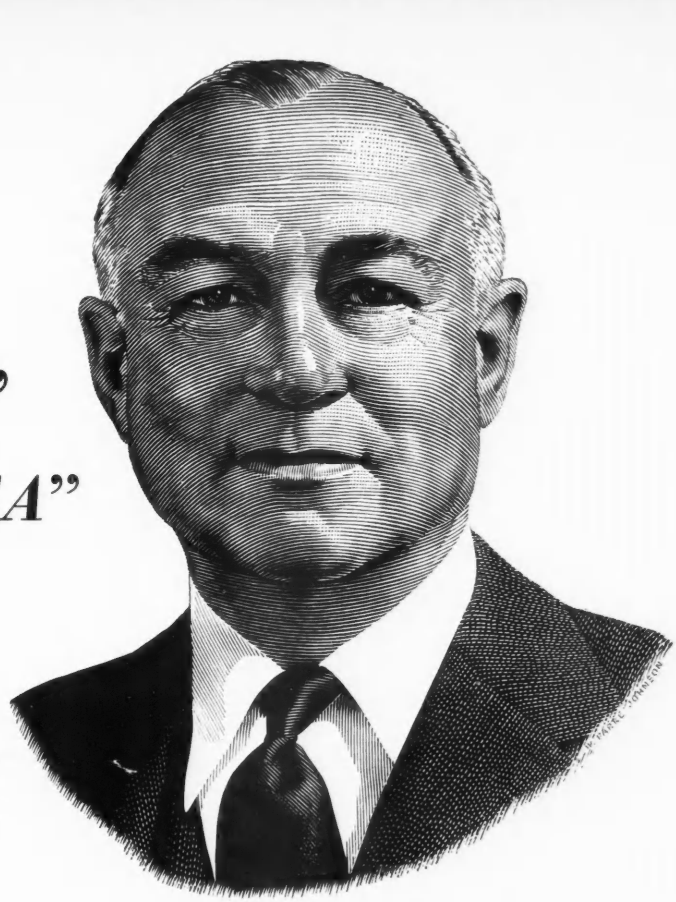

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